

Finance Officials Are Confident Pact Will Support Dollar

Compiled by Our Staff From Dispatches WASHINGTON — Finance officials of leading industrialized nations voiced confidence Sunday that the U.S. dollar would remain steady after they reaffirmed an agreement to support the currency at current levels. The vice chairman of the U.S. Federal Reserve Board, Mervyn D. Katz, said that the foreign exchange markets should react to the currency accord "in a positive way." Finance Minister Kiichi Miyazawa of Japan and Karl Otto Pöhl, the governor of the West German central bank, agreed. "I am sure they will react very favorably," Mr. Miyazawa said as he emerged from a session of the Finance Committee, the key policymaking body of the International Monetary Fund. Officials have gathered in Washington for this week's joint annual meeting of the IMF and the World Bank. The Interim Committee met Sunday to discuss the IMF's latest economic outlook, which forecast moderate growth in the world economy this year and next. (Details of the report, Page 17.)



Crew members of the Iran Ajr, the vessel attacked by U.S. helicopters in the Gulf, being welcomed in Tehran on Sunday.

Weinberger Sees No Need to Use War Powers Act

By Molly Moore Washington Post Service WASHINGTON — Defense Secretary Casper W. Weinberger on Sunday said hostilities in the Gulf would need to grow "a great deal more than what is occurring now" to meet the requirements for the War Powers Resolution giving Congress a role in U.S. military activities in the region. Mr. Weinberger, who was scheduled to return to Washington on Monday after a five-day trip to the Middle East, also described as "the height of absurdity" proposed legislation that would require congressional approval to continue the Reagan administration's tanker-escort operation in the Gulf. Democratic leaders in the Senate have proposed an amendment to the military authorization bill for 1988 that would impose many requirements of the War Powers Resolution of 1973 without formally invoking the law. "What we're talking about now is an amendment," Mr. Weinberger said, "that would provide that we must keep a strong presence in the Gulf, but we can't do anything." Speaking from Bahrain in an interview on a U.S. television program, Mr. Weinberger went on: "We have to unflag the ships that have been flagged according to proper American legal procedures, and we're not allowed to do that. So what in the world would we do? It is, I think, the height of absurdity." President Ronald Reagan, charging that the congressional proposal could have "disastrous effects" on U.S. commitments in the Gulf, said he would veto a plan requiring congressional approval for continuing the escort operation for more than 90 days after enactment of the legislation. Senator John Glenn, Democrat of Ohio, a member of the Armed Services Committee who was also interviewed on the program, said the situation in the Gulf bordered on war. "If there ever was a situation that called for reporting" under the War Powers Resolution, he said, "this is it." Mr. Weinberger said he believed passage by the United Nations of an arms embargo that "would be genuinely enforced" could help bring an end to the war. "Short of that," he said, "we will need a totally different kind of government in Iran. No one can deal with the irrational, fanatical government they have now."

Bonn's EMS Partners Seek Larger Economic Say-So

By Reginald Dale International Herald Tribune PARIS — The coming weeks and months should see the first test of whether West Germany will continue to dominate European economic policymaking through its leadership of the European Community's eight-nation currency bloc. France and other members are becoming increasingly restive under West German control of the European Monetary System, which senior French officials now wrily — sometimes bitterly — call "the mark zone." Recent debate over the future of the system, leading to largely French-inspired reforms earlier this month, has concentrated on the nuts and bolts of currency intervention and on economic and monetary targeting. As is often the case in the Euro-

U.S. Officials Divided Over Proposal By Soviet to Negotiate Space Defense

Michael R. Gordon New York Times Service WASHINGTON — Senior Reagan administration officials, preparing for the next round of high-level arms talks in Moscow, are sharply divided over whether to negotiate with the Soviets over the scope of testing a missile-defense system in space. The Soviet Union first proposed in April that experts from the two sides negotiate the issue. The proposal was made during a visit to Moscow by Secretary of State George P. Shultz. Last week, Soviet officials elaborated on the idea and gave the United States a list of proposed limits on the capabilities of objects that could be tested in space for a missile-defense system. Included were limits on the brightness, or power, of lasers, the speed of interceptors and the size of mirrors that might reflect some laser beams, among other limits. Paul H. Nitze, the arms control adviser to Mr. Shultz, is urging that

U.S. Attack on Ship: A Lift for Arabs

By Patrick E. Tyler Washington Post Service MANAMA, Bahrain — The American helicopter attack on an Iranian mine-laying vessel has bolstered the confidence of Arab nations already working closely with Washington, but is less likely to change the cautious diplomatic attitudes of Arab leaders whose populations and national fortunes live within missile range of their large and belligerent neighbor. According to a sampling of Arab and Western diplomats in the region, the U.S. strike last week on the Iran Ajr was universally cheered in private by Arab leaders. Many were skeptical of Iran's peace-making intentions even as the Iranian president traveled to New York to address the opening session of the United Nations General Assembly. "But although the United States and Western maritime powers enjoy widespread private support for their deployment of a 70-ship naval flotilla to protect shipping in the Gulf, there is no consensus for an open break with Iran or a unified military stand on the Arab side of the waterway, officials said. "We are waiting for one more attack by the Americans, if you can do it," said a Bahraini official, who added that the attack showed "that on one can face America in this region." But another government official in Bahrain said U.S. policy makers in Washington had dem-

U.S. Agencies at Odds Over Purchase of Soviet Space Photos

By William J. Broad New York Times Service NEW YORK — An agency of the federal government is seeking to buy close-up photographs of the Earth taken by Soviet space satellites, a proposal that is likely to stir controversy. The Soviet Union recently has begun to sell space photographs that are superior to any in the West as part of an effort to market space-related goods and services. The photos are being sought by the U.S. Geological Survey, an arm of the Interior Department that makes and sells maps and monitors the U.S. land mass for earthquakes, volcanoes, water pollution and other aspects of geology and hydrology. An official at the agency's headquarters in Reston, Virginia, speaking on the condition of anonymity, said that scientists there were "going apoplectic" over sample Soviet photos and were eager to be able to order them and use them routinely. The proposed purchase of these photos conflicts with Reagan administration attempts to keep the Soviet Union from making inroads into Western space markets. It also is likely to anger the Defense Department, which believes civilian space photos in general, and especially Soviet photos, are increasingly and wrongfully being used in ways once monopolized by military spacecraft for purposes of space-based reconnaissance. The Pentagon, worried that high-powered civilian satellites will threaten national security, has promoted efforts to limit and control the development of such systems. It also is potentially embarrassing to the administration because the U.S. system for taking satellite photos, Landsat, is in danger of failing for lack of government financial support. "It shows how our once dominant place in space has eroded," said Dr. Peter D. Zimmerman, a senior associate at the Carnegie Endowment for International Peace in Washington, D.C. He said "it's a sign of the times" that a U.S. agency wants to "buy things from the Soviets that we should be able to provide ourselves." The Soviet photographs have an intrinsic ability to resolve, or see, objects on the Earth as small as five and a half yards (five meters) long. In contrast, the world's next best civilian satellite, the French SPOT satellite, can resolve objects down to 10 yards. The civilian-operated Landsat has a resolution no better than about 30 yards. The Soviet space photo program is larger than any in the West and draws on at least three classes of spacecraft: low-altitude satellites that return their film to the Earth, manned space stations that also return their film, and high-altitude satellites that electronically beam their pictures to the Earth. The photos cost \$500 to \$800, and more for enhanced processing by computer.

Kiosk Killing Roils Israeli Cabinet

JERUSALEM (NYT) — Israeli cabinet ministers exchanged harsh words Sunday as they discussed how to respond to the killing of an Israeli soldier who was stabbed to death by a Palestinian last Thursday as he waited for a ride in northern Israel. Ariel Sharon, the hard-line Likud minister and former general, called for harsher responses and declared what he termed government "apathy" about guerrilla attacks, prompting Labor party ministers to accuse him of incitement and tell him bluntly to "close your mouth."



Peter Cortesier, a West German who is secretary-general of the North Atlantic Assembly, gives a cautious welcome to the U.S.-Soviet arms agreement. Page 2.

MONDAY Q&A

GENERAL NEWS ■ General Wojciech Jaruzelski rebuffed appeals from Vice President George Bush. Page 6. ■ The Court of Paris held a castle party to consecrate his grandson as his heir. Page 6. SPORTS ■ Europe beat the United States, 15-13, to retain golf's Ryder Cup. Page 23. BUSINESS/FINANCE ■ Pension, the U.K. conglomerate increasingly looks like a target for a takeover. Page 17. Special Today ■ Caution, rather than expansion is the catalyst for world banks as the bull market of the past few years appears to be over. A special report, Pages 7-16.

Book Lifts Corner of Veil on William Casey's CIA

By Haynes Johnson Washington Post Service WASHINGTON — While he was director of central intelligence, William J. Casey circumvented normal CIA channels and personally arranged for the Saudi Arabian intelligence service to undertake three covert operations, including a Middle East assassination attempt that went awry, killing 80 people when a car bomb exploded in a Beirut suburb on March 8, 1985, according to a book by Bob Woodward, an assistant managing editor of The Washington Post. The book says the other operations Mr. Casey arranged through King Fahd of Saudi Arabia and his ambassador to the United States, Prince Bandar bin Sultan, were actions to help Chad oppose invasion by Libya and to frustrate the electoral ambitions of the Italian Communist Party in May 1985. The Saudis put up \$15 million to finance these three "off-the-books" actions, the Woodward book says. The assassination attempt was aimed at Sheikh Mohammed Hussein Fadlallah, who is believed to be the leader of the Shiite Muslim faction in Lebanon known as Hezbollah, or Party of God. Sheikh Fadlallah was believed by U.S. and Saudi intelligence to be connected



Casey emerges as a complex figure: a student of history, an ardent anti-communist, who 'showed a hundred different faces to a hundred different worlds.'

with three bombings of U.S. facilities in Beirut, Mr. Woodward writes in "VEIL: The Secret Wars of the CIA, 1981-1987." "Veil" was a code name for the covert action "compartment" in the Reagan administration. When the assassination attempt went awry, the Saudis, with Mr. Casey's blessing, bribed Sheikh Fadlallah with \$2 million in food, university scholarships for his followers and other goods to persuade him to stop car bombings of Western targets in Beirut, according to the book. Mr. Casey was "astounded" that "such a comparatively small amount of money could solve so giant a problem," Mr. Woodward reports. Mr. Casey's secret arrangement with the Saudis grew out of his desire to create a pre-emptive anti-terrorist capability for the United States. At first he sought to do this inside the Central Intelligence Agency, but his deputy at the time, John N. McMahon, a career CIA employee, opposed the idea, arguing that it brought the agency too close to assassination, which President Ronald Reagan by executive

order had expressly banned, Mr. Woodward reports. The CIA came under intense congressional criticism in the mid-1970s for covert activities including several assassination plots. According to Mr. Woodward, Mr. Casey took the CIA directorship in 1981 after he was passed over for secretary of state and secretary of defense, but quickly realized he could accomplish his foreign policy goals as director of central intelligence, with overall responsibility for all U.S. intelligence agencies. In Beirut, Sheikh Fadlallah said Sunday that the report that he had accepted a bribe from Saudi Arabia was "a cheap intelligence service intrigue." His information office described the claims in Mr. Woodward's book as fabrications aimed at "slandering the purity and integrity of his eminence's struggle." The William Casey that emerges from the book is a complex figure. Part buccannier, part loyal friend, part student of history, part ardent anti-communist, Mr. Casey was a "common man with uncommon wealth" and someone who "showed a hundred different faces to a hundred different worlds," Mr. Woodward writes. The book does not resolve many



William J. Casey, less than a year before his death.

WORLD BRIEFS

Zhao Says He Doesn't Want Party Post

BEIJING (UPI) — Zhao Ziyang, speaking a month before he is expected to be named the permanent Communist Party leader in China, said in an interview broadcast Sunday that he does not want the job because he is better suited to handle economic affairs.

Conservatives Back Anti-Terror Effort

BERLIN (AFP) — President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev, must put the fight against international terrorism on the agenda for their next summit meeting, a 27-nation gathering of conservative political leaders said in West Berlin on Saturday.

Shevardnadze Begins Latin Tour

RIO DE JANEIRO (NYT) — The Soviet foreign minister, Eduard A. Shevardnadze, has arrived in Rio to begin a regional tour intended to improve Soviet relations with Latin America. The visit to Brazil, Argentina, Uruguay and Cuba is to last at least 10 days.

Tamil Leader Dies After 12-Day Fast

COLOMBO, Sri Lanka (NYT) — A Tamil separatist leader has died after a 12-day fast to protest the way the Indian-Sri Lanka peace accord is being carried out. His death set off protests in the northern city of Jaffna.

India Arrests 46 in Widow's Suicide

NEW DELHI (Reuters) — Indian police arrested 46 people Sunday who were believed to be connected with the ritual death of a young widow on her husband's funeral pyre, the Press Trust of India reported.

TRAVEL UPDATE

Rome-Milan 'Super-Rapido' Begins

ROME (AP) — The first of four new "super-rapido" trains left here Sunday morning and reached Milan 4 hours and 55 minutes later, traveling at up to 125 mph (200 kph) to shave about an hour off a "rapido" train's speed for the 393-mile trip.

This Week's Holidays

Banking hours and government services will be closed or curtailed in the following countries and their dependencies this week because of national and religious holidays:

DOONESBURY



U.S. Tourist Killed in Paris

PARIS — Three persons, including an American tourist, were killed in a pistol and machine-gun attack at a bar here, the police said Sunday.

Popal Vis

By Dennis Hewitt... The pope's return to orthodox Catholicism has been a surprise to many observers. He has been known for his liberal views on social issues.

Double-Zero Agreement: One European's Cautious Welcome

The security outlook for Western Europe, as the North Atlantic Treaty Organization and the Warsaw Pact move to eliminate intermediate-range nuclear arms, was in the forefront of discussion last week in Oslo at the annual meeting of the North Atlantic Assembly, a body grouping 200 members of parliament from all 16 NATO nations.

Q. Do you object to the contents of the planned treaty? A. No, I think it's balanced — we eliminate a category of weapons on both sides. True, some experts and conservative politicians thought we should have started with other disarmament steps, for example tackling the enormous Soviet advantage in conventional forces.

MONDAY Q&A

Q. Wasn't there remarkably little trans-Atlantic lobbying between like-minded Americans and European politicians trying to support or undermine this accord? A. Almost none at all compared to the intensive contacts — officials and parliamentarians, experts and journalists — during the debate over SALT-2.

Q. What do you expect to happen next? A. Soviet leaders, for the first time, have started admitting that there are disparities in East-West troop strength in Europe, in other words, acknowledging their superiority instead of insisting that the two sides' forces are equal.

Q. What should European leaders do? A. We have to make it clear to the Soviets and to our own public opinion that they have to withdraw many more troops than we do.

Q. Can NATO deploy some new nuclear systems to plug gaps in our forces or have we in effect given the Soviet Union a veto power over any unilateral military modernization in our alliance in Europe? A. That's a tough question. Clearly, after claiming credit for progress in disarmament, it's going to be hard for politicians to ask for more weapons, conventional or nuclear.

Q. Why did European leaders say so little publicly about possible risks with the way the talks developed? A. Some leaders had reservations about the way in which the agreement took shape, especially going to double zero, so rapidly. But European leaders had agreed to the zero option when we deployed missiles in the early '80s; they had urged it on the Reagan administration and sold it to their own public opinion.

Q. Do the European parliamentarians you see consider the missile agreement as the thin end of the wedge toward loosened U.S. commitment to defending Europe? A. No, not unless it is followed by U.S. troop withdrawals.

Painfully, Young U.S. Jews Get to Know Germans

By Serge Schmemmann, New York Times Service

BONN — Most of the American Jewish students had come to West Germany with trepidation. Some had been warned by their parents not to go, and others were afraid of their own reactions, but all felt that they had to see for themselves.

preserved as a monument to the Holocaust. "But I wondered," she continued, "I did not come to Germany with a hatred, but I came with a lot of fear, a lot of fear about a society that had been so intellectual and could build into something so sick-

Jewish college students' organization, at Stanford University. The main idea was to distract the Jewish students from thinking about the past and immerse them in the present and to introduce them to Germany and the German democracy," Rabbi Cartun said.

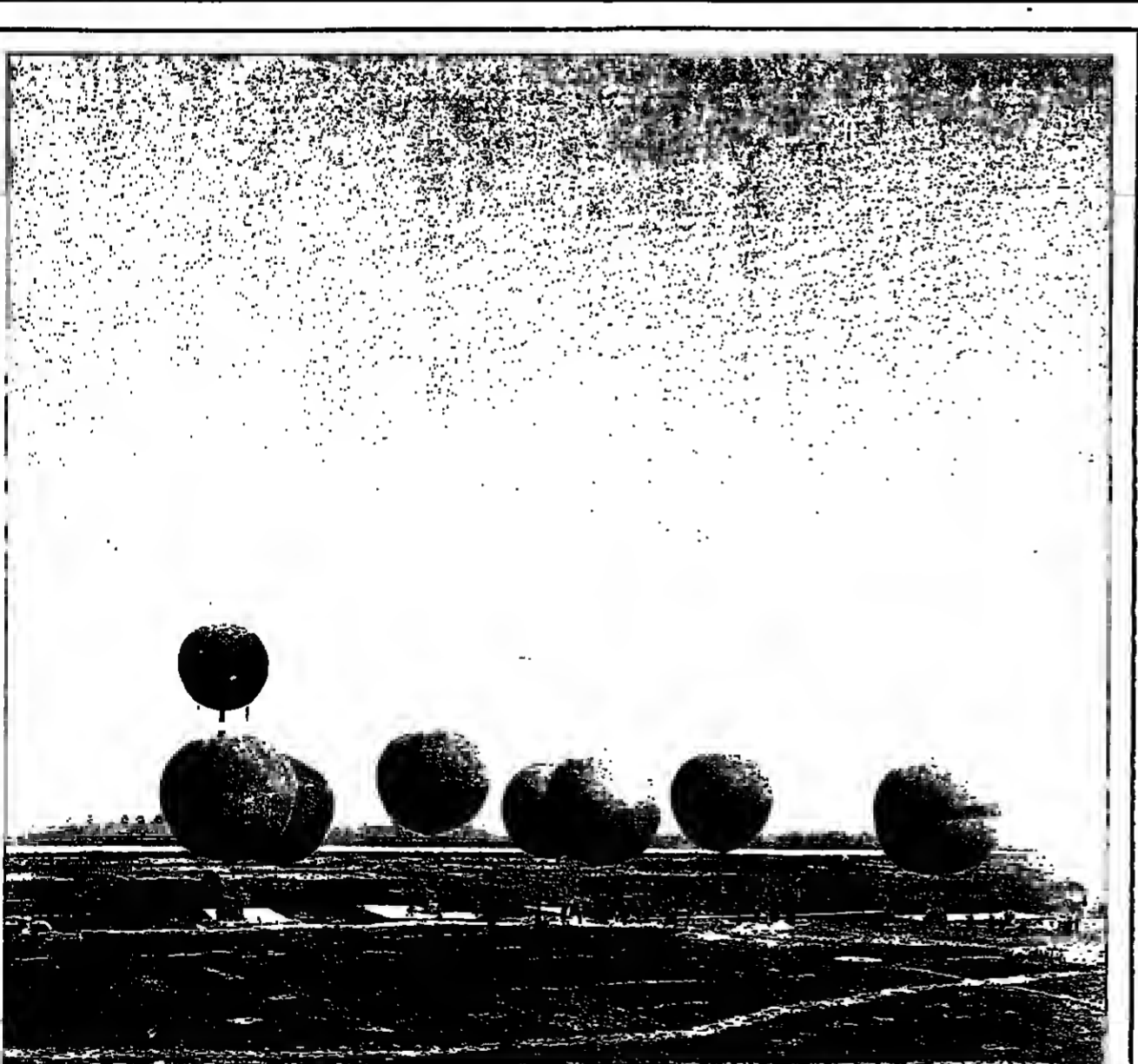
pressions began flooding in, "I just wanted to call my mother and talk about it." At first the students said they felt reluctant to air their families and anxieties with the families they were staying with.

"I found myself feeling sorry for the German kids who have to live with this. In some ways we're lucky; we came out on the right side." — Karen Abrams, a student from New York City

"Some of the students were worried whether this was an attempt to use them to show that everything is great," he said. "But I don't think that has been the case. They go back thinking about their best families. Three of them are already referring to their hosts as mother, father, brother or sister."

Amira Leifer, a 20-year-old American Studies major from Wynoochee, Pennsylvania, had heard of the Holocaust all her life from her mother, a survivor of concentration camps in Czechoslovakia.

Most of the Americans seemed surprised at how much the Germans were taught about the Holocaust in school. The German students said they had studied it first in religion class in primary school, then again in history and social sciences classes, and many had visited the sites of concentration camps.



"Europe Without Frontiers" The 31st Gordon Bennett Balloon Race will be held October 3-4, 1987 in Seefeld (Tirol) Austria.

Sponsored by the International Herald Tribune, which is celebrating its centennial year, 13 balloons will participate representing 6 countries (Austria, Germany, Poland, Sweden, Switzerland and USA.) The teams will try to cross the Austrian Alps guided by the prevailing winds.

Parachuting displays and glider aerobatics will take place before the take-off, and on October 4 a hot-air balloon meeting will fill the sky with a colorful spectacle at Seefeld.

Admission is free. For additional information contact: Freizeitsportverband, A-6100 Seefeld/Tirol; Telephone: (43) 5212/23 13 + 23 16; Telex: 534452.

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U.S. Tourist Killed in Paris. The Associated Press. PARIS — Three persons, including an American tourist, were killed in a pistol and machine-gun attack at a bar here, the police said Sunday.

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AMERICAN TOPICS



WARD ON TRIAL — Turning from legal controversies to a literary one, three U.S. Supreme Court justices, from left, Harry A. Blackman, William J. Brennan Jr. and John Paul Stevens, "ruled" in a moot court debate at American University in Washington that William Shakespeare was the likely author of the famous plays and sonnets, not the more worldly Edward De Vere, friend of Queen Elizabeth I and 17th Earl of Oxford.

On Brandeis University Menu: Ham Steak, Shrimp Tetrazzini

Ham steak and shrimp tetrazzini are on the menu this fall at Brandeis University in Waltham, Massachusetts, and debate has been renewed over what it means to be a Jewish student at a secular university. The New York Times reports. The idea is to make Brandeis students who are not Jewish feel more comfortable.

Notes About People

Nancy Reagan says she had long wanted to campaign against drugs, but few shared her enthusiasm when she first broached the idea to White House aides. "They all thought that it was a downer," Mrs. Reagan told U.S. News & World Report, "and they weren't cheering me on at all."

Notes About People

Sally Ride, who in 1983 became the first American woman in space, is turning down potentially lucrative lectures and interviews. Mrs. Ride was on the presidential task force that investigated the 1986 explosion of the space shuttle Challenger.

Short Takes

The Connecticut Appellate Court has overturned the conviction of a man who was forced to drive 150-mile (245-kilometer) round trips to court 25 times in three years, only to be repeatedly told that his case had been postponed, before it was heard.

Notes About People

Thomas P. (Tip) O'Neill Jr., former speaker of the U.S. House of Representatives, has somewhat reluctantly allowed the new federal building in Boston to be named after him. He told a crowd of about 300 people at dedication ceremonies, "I don't think I ever voted in Congress for a building named after a man who had just left the Congress and was still alive."

Republicans Think They Can't Lose in '88

By David S. Broder and Haynes Johnson Washington Post Service

NAPERVILLE, Illinois — "George Bush is a terrific team man," Ann Haney tells her fellow Republican activists. "He's always there" for local candidates, she adds. "But he has all the crowd appeal of a warm dish of oatmeal — I mean, without the raisins, without sugar, without maple syrup, just oatmeal."

and the responses to the nationwide survey provide insights into the Republican presidential race, which will begin to take form in the next few weeks as Mr. Robertson, Mr. Bush and Mr. Dole make their formal declarations of candidacy and join Mr. du Pont, Mr. Haig and Mr. Kemp for the first debates of the campaign.

Currently, the focus is almost all on Mr. Bush and Mr. Dole. One or the other was the first choice of almost eight of 10 Republicans in the September survey, up from just over six of 10 in June. Republican activists in Naperville, also, list Mr. Bush and Mr. Dole as their top preferences. Overwhelmingly, they rate the two as being the most qualified and most electable.

'We need a more moderate president; that's where it's swinging. It seems to me we've gone from one extreme to another with Jimmy Carter and Ronald Reagan.'

— Tim Sellers of Naperville, Illinois, who leans toward Senator Bob Dole

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FBI Chief Regarded as Tough and Fair

By Mary Thornton Washington Post Service

SAN ANTONIO, Texas — When Judge William Steele Sessions was nominated in July to be the Federal Bureau of Investigation's fourth director, Attorney General Edwin Meese 3d said the White House had sought a "clone" of William H. Webster, the man he is succeeding.



William S. Sessions

a U.S. District Court judge in 1974, according to the Johns, he stopped socializing with prosecutors and defense attorneys, except for bar association functions, to avoid any possible compromise of his judicial neutrality.

TRAVEL UPDATE

Milan Super-Rapido

Week's Holiday

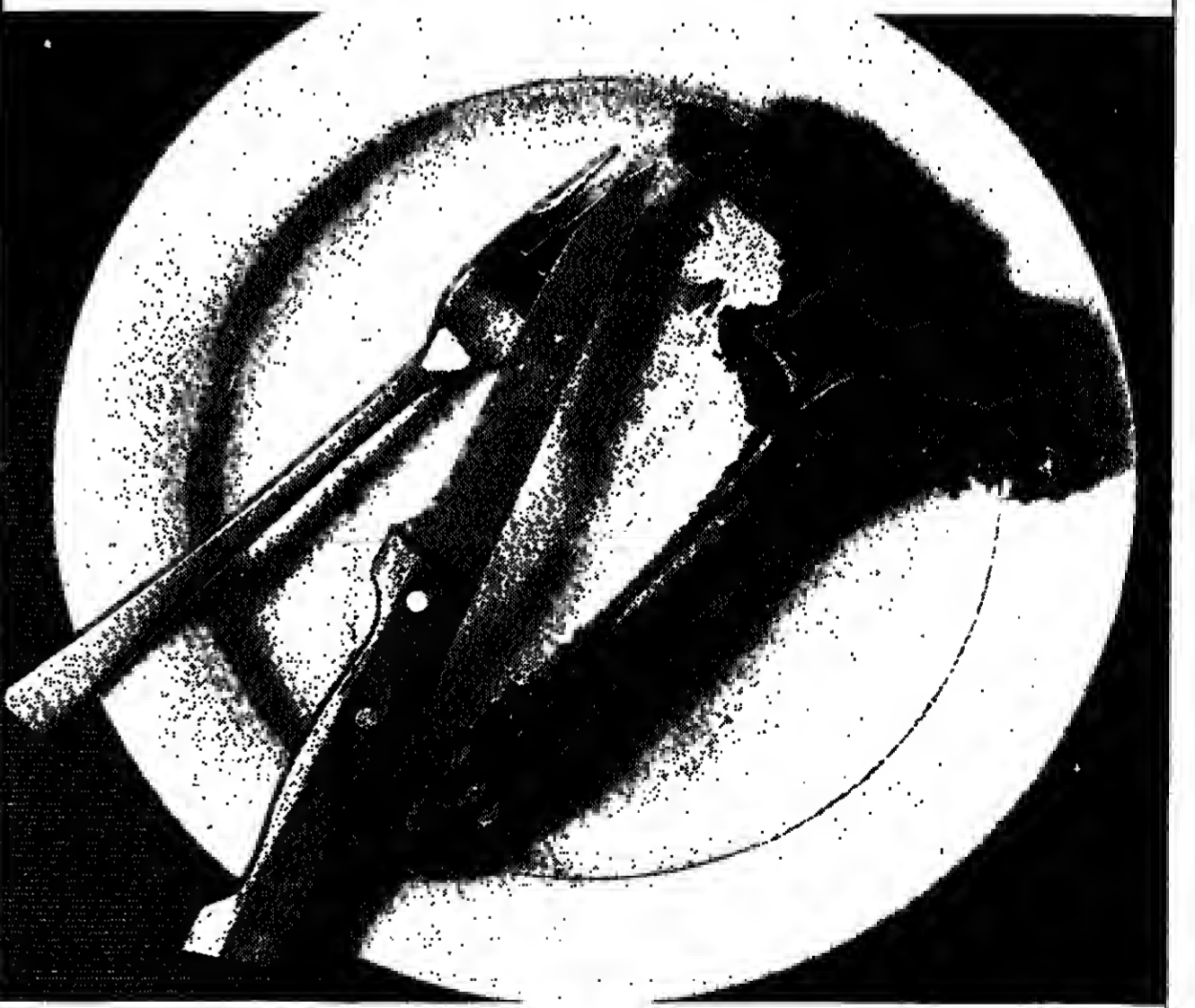
Papal Visit Didn't Alter U.S. Priests' Views

By Dennis Hevesi New York Times Service

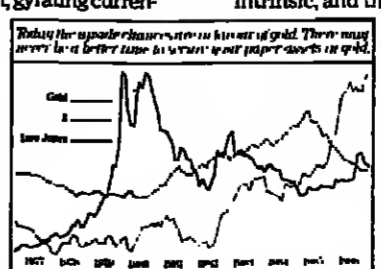
NEW YORK — A week after Pope John Paul II ended his visit to the United States, his pleas for a return to orthodox church teachings in many areas such as birth control and abortion appear to have had little impact, at least according to interviews with a dozen Roman Catholic priests around the country.

The Reverend James Voelker of East St. Louis, Illinois, said: "Celibacy — I think it should be optional. Ordination of women — I would be for that. With regards to birth control, if people just want to have a good time, I think they need to examine that. But I also think that people who can't afford more children need an option other than abstinence."

Where will you be without gold when the party is over?



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INTERNATIONAL Herald Tribune

With Moscow in the Gulf

The Reagan administration seems stuck on the cusp of its own ambivalence about Gulf policy. Some days it frets about Iran's assaults on ships and regional stability...

Mr. Gorbachev recently extolled the United Nations in the Soviet press. This new thinking was elaborated by Foreign Minister Eduard Shevardnadze...

Yes, Link Arms to Peace

Yitzhak Shamir underlines the central consideration that ought to guide arms sales to countries in the Middle East and other troubled regions. Speaking in a Wall Street Journal interview about proposed U.S. sales to Saudi Arabia...

Mr. Gorbachev recently extolled the United Nations in the Soviet press. This new thinking was elaborated by Foreign Minister Eduard Shevardnadze...

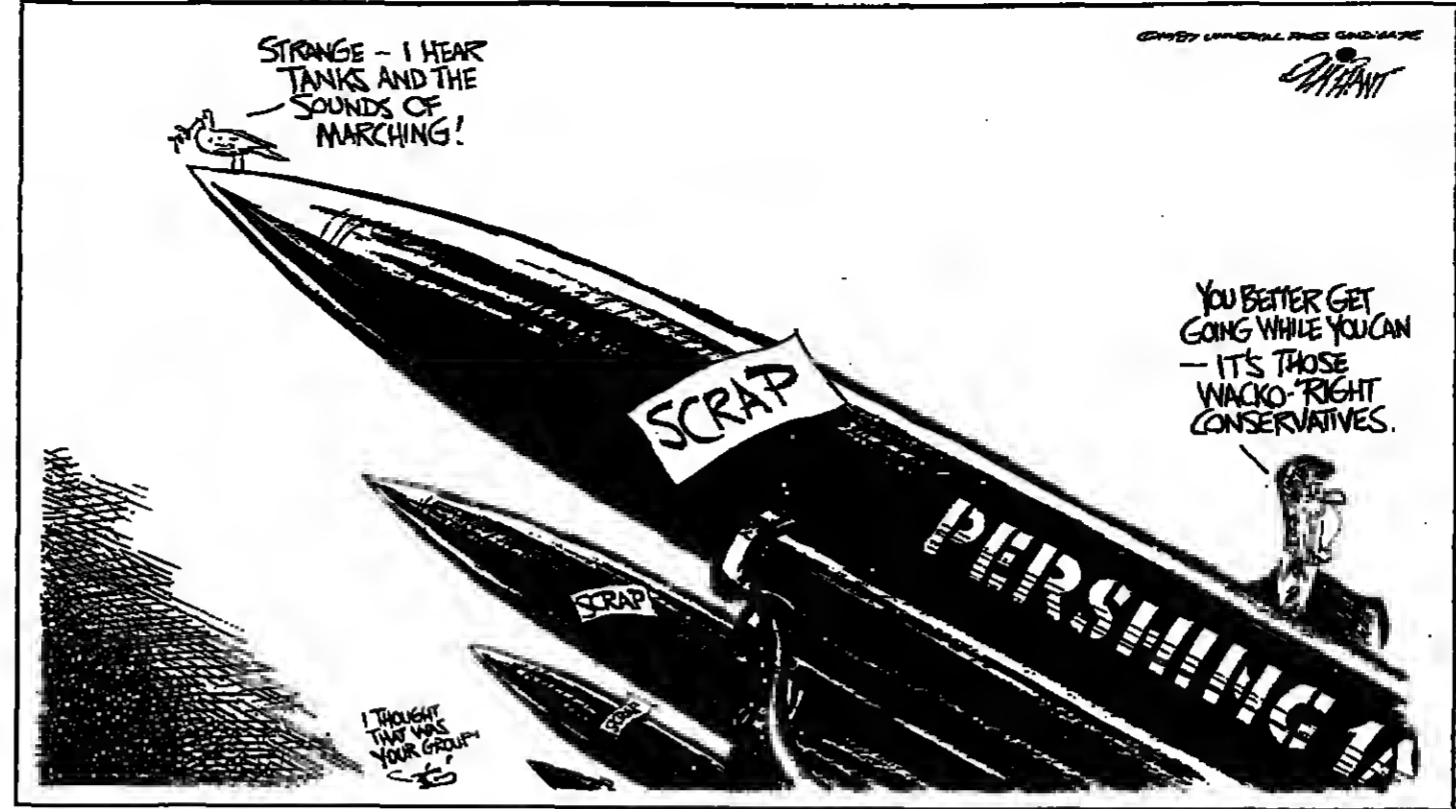
Debt Demands Action

The Reagan administration's new support for a hefty expansion of World Bank lending can help ease the Third World debt crisis, but not a lot and not soon. This menacing overhang, now five years old, demands more effort by creditors and debtors.

Turks Want Democracy

Even years after a military coup, the fourth in the republic's 60-year history, Turkey is still trying to loosen, one by one, the restraints left over from military rule.

OPINION



Four Glasnost Standards for Gauging Soviet Change

WASHINGTON — Right now is an excellent time for Americans to begin thinking and talking about a question central to security and political capital, as we so often urged to do. Mr. Gorbachev raised the issue by making changes that do not restructure Soviet political society but do introduce fresh air and the hope of more winds of change to come.

Now for a Serious Response to Third World Debt?

WASHINGTON — As the Third World debt grows to about 3,000 of the world's financial managers gather in Washington for the annual meeting of the World Bank and the International Monetary Fund...

From Contender to Shocked Victim

WASHINGTON — What gives? Is the press out to prove its power and disprove charges of leftist bias by sabotaging one liberal Democrat after another? No. We in the media are taking seriously our responsibility to deal with the character and competence of potential presidents.

Could You Pass Such an Inspection?

THERE is a new criterion, a new device for weeding out presidential candidates: the self-immolating gaffe. Gaffes occur when a remark or action reaches critical mass in the media. If the trend continues, we run the risk of turning the presidential campaign process into a political version of the movie 'Rollerball'...

For Habash, The Weight Of Failure

DAMASCUS — Georges Habash, the radical whose name has been a synonym for terror for nearly two decades, rises stiffly from behind his desk and extends an atrophied right hand in greeting. On his wall hangs a small tapestry depicting the Dome of the Rock Mosque in Jerusalem.

Share the secrets of Cardhu

Advertisement for Cardhu whisky, featuring a bottle and the text 'Share the secrets of Cardhu'.

INTERNATIONAL HERALD TRIBUNE contact information, including names like Katharine Graham, William S. Paley, and Arthur Ochs Sulzberger.

Historical notes from 'OUR PAGES, 75 AND 50 YEARS AGO', including '1912: Parades for Funds' and '1937: Mussolini's Visit'.

For Habash The Weight Of Failure

Children Recount Brutality by Pretoria

By William Claiborne
Washington Post Service

HARARE, Zimbabwe — Blinking into glaring television lights and almost speechless with bewilderment, 11-year-old William Modibedi haltingly told his story of being tortured in a South African jail last year.

codes two potential milestones in the worldwide campaign to intensify economic sanctions against the Pretoria government.

One is a meeting of Commonwealth heads of state in Vancouver, Canada, next month to discuss sanctions.

The second is a U.S. State Department report to Congress on the question of South Africa's response to sanctions imposed last year.

'Nothing draws the heartstrings like the plight of children who are detained and tortured in South African prisons.'

— An official of the African National Council

knocked out in a beating by his interrogators and that he was given electric shocks to force him to confess to setting cars on fire during demonstrations.

A 13-year-old girl identified as Tabisa Mabusa, who is paralyzed from the waist down, sat in a wheelchair and told the delegates that South African police agents burst into her home in Gaborone, Botswana, on June 14, 1985, and shot her in the spine as she tried to flee.

Many other witnesses, most of them teen-agers, offered similar testimony during the three-day International Conference on Children, Repression and the Law in Apartheid South Africa, which ended Saturday.

It was the biggest gathering ever of blacks and whites from South Africa and senior officials of the African National Congress who are living in exile in Africa and Europe.

But the meeting also dramatically underscored the importance of a key weapon in the ANC's public relations arsenal: the effect on children of the struggle against apartheid in South Africa.

"Nothing draws the heartstrings like the plight of children who are detained and tortured in South African prisons," said a top ANC official, who asked not to be identified.

He said that in listening to the testimony, "I cried, and I've seen it before."

"Imagine how it affects people who have never heard it before," he added.

As a tactic in the battle with South Africa for world opinion, the issue of detained children has no match, anti-apartheid campaigners in Zimbabwe readily conceded.

The Harare conference, they said, has been particularly important because of its timing. It pre-



The Reverend Trevor Huddleston, left, an anti-apartheid activist, greeted Oliver Tambo, right, leader of the African National Congress, and other activists at an international conference in Harare, Zimbabwe, on the effect of apartheid on children in South Africa.

In Asia, Population Ups and Downs Pose Challenge

By Michael Richardson
International Herald Tribune

SINGAPORE — After 15 years of exhorting its citizens not to have more than two children, the government of Singapore has launched a campaign of persuasion and financial incentives to encourage people to "have three, and more if you can afford it."

Brigadier General Lee Hsien Loong, Singapore's minister of trade and industry, warned recently that if a decline in the country's birthrate was not reversed, the consequences would be calamitous.

There would be enough young people to sustain economic growth, defend the country or pay for the increasingly costly burden of caring for the aged.

"If we don't reverse the trend," he said, "Singapore will be nothing but old folks' clubs, and instead of spending Sunday mornings discussing our future, we'll be sitting around discussing our past."

In neighboring Indonesia, Mohammed Sadli was sounding a different warning.

Mr. Sadli, a former cabinet minister who is now an analyst with the Indonesian Chamber of Commerce, said recently at a conference of economists, business executives and government officials that if steps were not taken to prevent an expanding population from outstripping employment opportunities, Indonesia could face mounting social and political unrest.

Indonesia, with 170 million people, is the fifth most populous country in the world. Singapore, with only 2.6 million, is one of the world's smallest nations.

They are on opposite sides of a population paradox facing countries in Asia.

A report published last month by the United Nations Economic and Social Commission for Asia and the Pacific noted that a significant shift in the age structure of the region's population was creating a new baby boom, as the number of women of childbearing age in-

creased, as well as swelling the number of elderly.

Since 1970, the report said, the average birthrate in the region stretching from China in the north to New Zealand in the south, and from Iran in the west to tiny Pacific islands in the east, had declined sharply.

This was coupled with a fall in mortality rates, brought on by better nutrition and health care.

Tatsuro Kumugi, deputy executive director of the United Nations Fund for Population Activities, said at a planning conference in Bangkok in August that demographic developments in the Asia-Pacific region, which has more than half the world's population, "determine to a considerable extent global population trends."

He said the area's population was expected to surpass 3 billion in the next three years and to reach 4 billion by the year 2020.

The global population was offi-

cially estimated to have passed 5 billion in July.

The impact of the drop in fertility and the rise in life expectancy in Asia has been most pronounced in China, Hong Kong, Japan, Singapore, South Korea and Taiwan.

In a study published in May, Ernesto M. Pernia, an economist at the Asian Development Bank in Manila, found that annual population growth rates from 1960 to 1985 averaged 1.91 percent in China, 2.36 percent in Hong Kong, 1 percent in Japan, 1.79 percent in Singapore, 2 percent in South Korea and 2.52 percent in Taiwan.

The generally accepted replacement rate needed to prevent long-term population decline is 2.1 percent.

General Lee said that in Singapore, the birthrate had dropped from 1.62 percent in 1985 to 1.44 percent last year, one of the lowest rates in the world.

If the 1986 figure became a

By Nicholas D. Kristof
New York Times Service

TOKYO — Japan's knowledge of the West has come a long way since one of its first visitors to the United States reported in 1860 that all single American women were called Joan, "while married ladies are distinguished by the suffix 'sons,' such as 'Joansons.'"

These days the Japanese are more enthusiastic than ever about learning about the West, and the quality of the information is improving.

The buzzword in Tokyo is *kokusai*, or internationalization. In pursuit of that goal, students, secretaries and executives more than ever are studying English, traveling abroad, listening to Michael Jackson records, dating foreigners and eating pasta.

"English is the international language," said Akira Nambara, research director of the Bank of Japan, in explaining the enthusiasm for learning the language. "Or, I should say, broken English is the international language."

Of course, Japanese have studied

foreigners and foreign languages since Commodore Matthew C. Perry "opened" Japan with his gunboats in 1853. Golf, baseball and rock music have been popular for decades.

But *kokusai* has surged in the last few years, partly because of the expansion of Japanese corporations overseas and the arrival of more and more foreign corporations in Tokyo.

"It's kind of a prerequisite for Japanese to go abroad, to learn foreign languages, culture, customs," said Hiromitsu Takemi, deputy manager of the Japan Development Bank.

C. Itoh & Co. attracted attention this summer when it became the first large Japanese corporation to appoint a foreigner — in its case, a Korean-American — to its board of directors. Japan Air Lines announced this month that it would hire 120 foreign flight attendants.

And Japanese who were spurned even a few years ago because they attended U.S. universities now find employers clamoring for them.

Yet *kokusai* is not all work and no play. Ethnic restaurants are

the latest rage in Tokyo; Mexican, Indonesian, Indian and Italian restaurants are flowering around the city. So are pool halls and pizza parlors.

It is also becoming more common for Japanese to date foreigners, although families still do not always approve. An American banker living in Tokyo, a single man, says he knows of only two ways for an American man to end a romance with a Japanese woman.

The first, he says, is for the man to explain coldly that the relationship is finished and that he is flying home for good the next day. The second is to ask to meet the woman's family.

That might not work these days when there are more mixed marriages. The proportion of Japanese men marrying non-Japanese women has soared nearly fourfold over the last decade, so that today a bit more than 1 percent of Japanese men marry non-Japanese women. Among Japanese women, six-tenths of 1 percent marry non-Japanese, double the figure a decade ago.

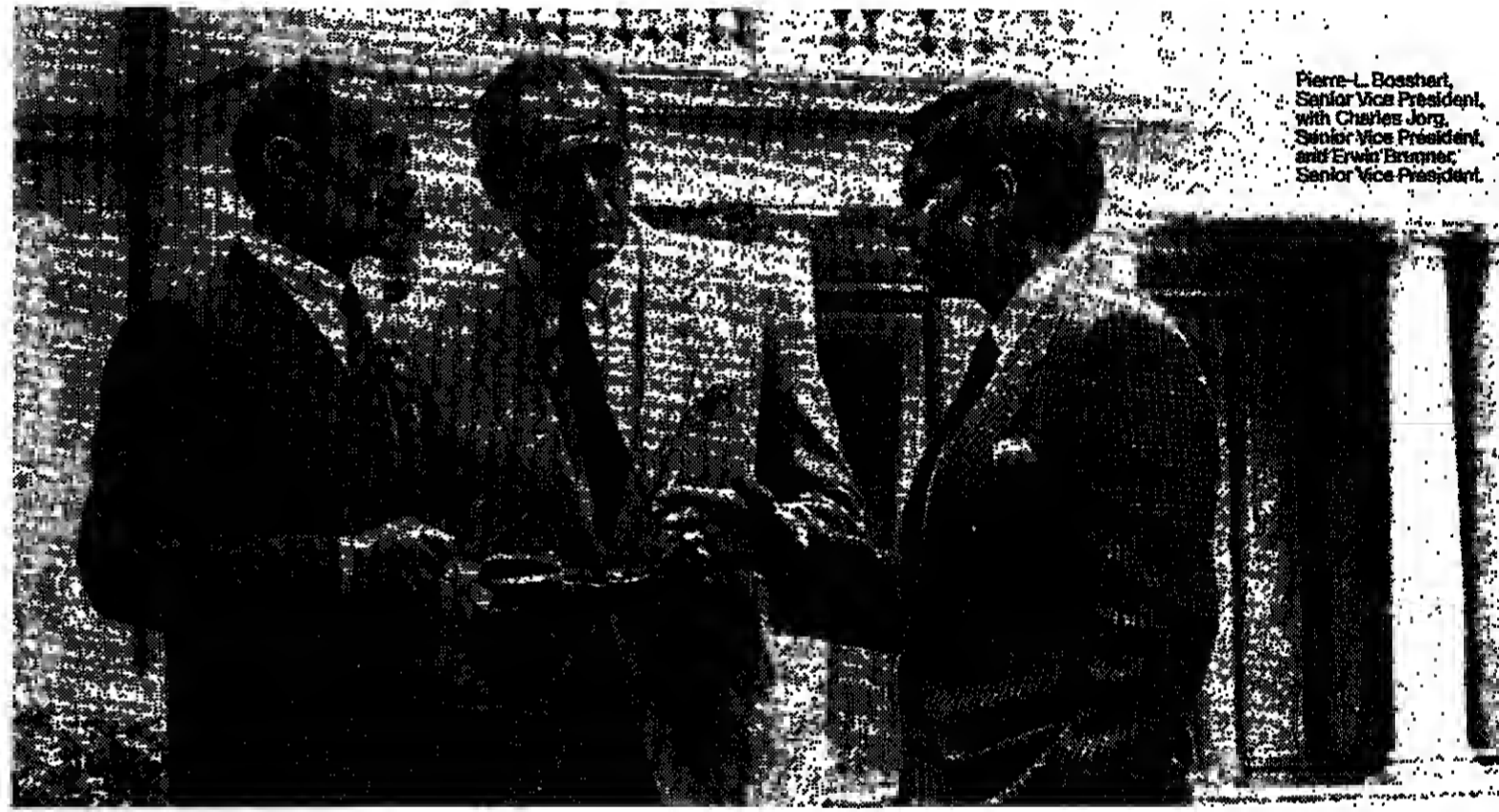
The figures, particularly for men, are bloated by the practice of importing Filipino wives for Japanese men, and by marriages to ethnic Koreans who have lived in Japan all their lives but are still regarded as aliens.

More Japanese are also living and traveling abroad. The strength of the yen makes it increasingly expensive for foreigners to come to Japan, but the number of foreigners visiting Japan nevertheless rose 4.5 percent in the first half of 1987, to 1.02 million.

Foreign travel, on the other hand, is cheaper for the Japanese. A record 3.08 million Japanese traveled abroad in the first half of 1987, up 22 percent from the same period last year.

English has been widely studied in Japan for decades, but the last few years have seen a special burst of enthusiasm. Large concerns like Nishio Iwai Corp. offer English lessons to employees each morning before work.

Some 1,300 English language schools operate in Tokyo alone, and the number is rising by at least 100 a year. It is estimated that 10 percent of the population now studies English.



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Jaruzelski Rebuffs Bush On Appeals For Change

By Jackson Diehl and David Hoffman
WASHINGTON Post Service
WARSAW — The Polish leader, General Wojciech Jaruzelski, rebuffed on Sunday appeals from Vice President George Bush for political changes...



Prince Jean at the ceremony at the Chateau d'Amboise.

Providing la République With a New Pretender

By Edward Cody
Washington Post Service
AMBOISE, France — The Count of Paris, the chief pretender to the French throne, had 2,000 of his closest friends and supporters by the Chateau d'Amboise on Sunday for a regal little ceremony.

For them, France still needs a crowned head to rise above electoral politics and play the role of arbiter and symbol of the nation. While embracing modern democracy, the royal dynasty proclaims it is ready for the call if France ever feels the need.

1789, no one shouted "Long live the king." On the other hand, no one ruined the morning's elegant tone by shouting vive la République either.

The undeclared meaning of Sunday's conferral on Prince Jean that was a generational jump in succession. This was decided because the count and his son, also named Henri, do not get along.

GULF: Criticism From Weinberger

(Continued from Page 1)
wanted to use this for political purposes. Of course, we refused.
The U.S. ambassador to Bahrain, Sam H. Zakhem, said Sunday that he was speaking for himself and "off the record" when he suggested that Iranians captured aboard an Iranian mine-laying vessel might be held for a possible swap for foreign hostages held in Lebanon...

IMF: Dollar Steady

(Continued from Page 1)
take to seek a shortcut by a further dollar depreciation.
Treasury Secretary James A. Baker 3rd said Sunday that he had asked West Germany and Japan at the meeting to take additional steps to stimulate their economies, but held out the prospect that he would press for action in the future.

Coup Leader Says He May Declare Fiji a Republic

LIUATIA, Fiji — Lieutenant Colonel Sitiveni Rabuka has said that he is prepared to declare Fiji a republic and leave the British Commonwealth, and the first signs of violent protest against his second coup in less than five months have emerged.

Colonel Rabuka, 39, met the governor general, Ranu Sir Penina Ganilau, on Sunday for talks believed to center on turning the South Pacific nation into a republic, military sources said.

Colonel Rabuka overthrew the elected government of Prime Minister Timoci Bavadra in May after Fijian militants threatened violent protests against the prime minister's Indian-dominated coalition.

IRAN: Raid Seen as Lift for Arabs

(Continued from Page 1)
minister of information, Sbeik Tariq Moayyed, "and the fact that somebody stopped them was very positive. If you know that people are alert and will stop you, then you might think twice before doing it again."
In the short run, the U.S. military may bring additional concessions out of Oman, Bahrain, Saudi Arabia and Kuwait for joint use of air and naval bases. Some support has been provided for some time without public acknowledgment.

ARMS: U.S. Officials Divided on Space Defense Talks

(Continued from Page 1)
proposed limits on the speed of interceptors and the brightness of lasers are "not that far out of the ball park."
Another expert said that the limits proposed on the size of space-based mirrors are regarded as more of a problem, while suggested limits on particle-beam and microwave weapons are regarded as overly severe.

CASEY: Woodward Book Lifts a Corner of the Veil on His CIA Operations

(Continued from Page 1)
and conversations with Mr. Casey from 1983 to 1987. Mr. Woodward writes that he never understood why Mr. Casey talked with him. At one point he quotes Mr. Casey as saying, "Everybody always says more than they are supposed to."

Angolan Leader Meets Pope

VATICAN CITY — The president of Angola, José Eduardo dos Santos, met privately over the weekend with Pope John Paul II during a two-day visit to Italy, the Vatican said, but no details of the talks were given.

ASSURES B... Debtors

WASHINGTON — The proposed by the American Finance Corporation to do away with the Federal Reserve's role in the money market...

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Advertisement for 'The Debtors' and 'Inside This' by Bob Woodward.

World Banking

Commentary

Climate of Caution

Why 'Adjustment' Is a Shared Burden

By Barber B. Conable Jr.

WASHINGTON — Disturbing economic trends cast shadows over this year's annual meetings of the World Bank and International Monetary Fund. Economic growth in the industrial countries continues at a low level, real interest rates remain high and commodity prices remain depressed. Trade barriers, massive payments imbalances and volatile currencies have weakened the economic recovery that began in 1984. And debt burdens continue to undermine economic growth in developing countries.

Without coordinated international action to reverse these trends, per capita income, consumption, imports and investment in most developing nations in 1990 will be well below the levels of 10, even 25, years earlier. It will be disastrous in both economic and human terms if per capita consumption in sub-Saharan Africa falls below its 1965 level and per capita investment in the highly indebted middle-income countries is reduced to 60 percent of what it was in 1980.

Such a disaster would cross international borders and affect the terms of trade and domestic economic growth of the developed countries. In short, if these trends continue, the world faces eventual recession.

Against this unhappy prospect, there is at least one encouraging development. Many governments in developing countries are beginning to move away from rigid, closed and inefficient economic systems toward freer, more open markets and lower price-distorting internal subsidies.

In Nigeria, for instance, policy reforms are helping reduce dependence on oil for export earnings. In China, greater incentives have been provided to farmers. Mexico is improving the performance of public enterprises and reforming its trade policies.

These adjustment programs, which the World Bank has supported with advice and

financial assistance, are born of necessity, even desperation. But they direct nations toward greater efficiency and they help make them stronger international competitors and better credit risks. At the same time, adjustment can impose heavy social costs. Tangible results and perceptible speed are necessary to mitigate short-term economic disruptions and political upheaval.

While the boldness of these nations' leaders and the patience of their citizens serve as positive examples to all policy makers, the process of adjustment is far from complete and its success is far from assured. Success also depends on the willingness and political resolve of the industrial nations to adjust their own policies and practices to global realities.

The developed countries must take concerted action to assure significant, steady and non-inflationary expansion of economic

activity. The rising tide of protectionism must be reversed. Urgent and imaginative measures to lighten the burden of debt service are needed, especially for the most distressed countries in the developing world. And the industrial nations must provide substantial new flows of external finance to nourish the developing countries' economic reforms.

Adjustment is a two-way street. All nations have a common interest in mounting and maintaining a coordinated and vigorous response to today's economic crisis. And that response must include steps to promote freer trade.

Increased tariffs, defensive quotas, subsidies to exports and a maze of nontariff barriers are increasingly used to shield non-competitive sectors from free trade. These devices are imposed frequently as "temporary" measures to permit adjustment and

restructuring but too often become permanent fixtures on the global landscape.

The industrial countries are becoming more protectionist in a growing number of sectors after 25 years of progressive trade liberalization of everything but textiles and agriculture. They now have nontariff restrictions on 20 percent of their 1985 imports and maintain tariff rates above 10 percent *ad valorem* on 10 percent of imports.

TARIFFS on exports from developing countries to the United States, the European Community and Japan, remain higher than tariffs on goods that those buyers import from each other. The developed world cannot credibly encourage efficiency and competition abroad so long as it practices this degree of protectionism at home.

Expanding trade, stimulated by a decrease in protectionism, can be one of the main

engines of global economic growth from which all nations benefit. The Uruguay Round of trade negotiations, launched in late 1986, provides the opportunity to roll back the recent protectionist measures. But much can and should be done urgently, outside of these negotiations, to liberalize trade pending the completion of the formal conference.

Free trade is essential to successful development efforts and so too are adequate financial flows to promote adjustment, investment, growth and the alleviation of poverty. The record of the past few years is disappointing. Measured in 1985 prices and exchange rates, financial flows last year were little more than half the total seen in 1980. The decline in private flows, particularly from commercial banks, has been especially

Continued on page 8

Boom Gives A Hangover To Markets

By Kevin Muehring

LONDON — A joke making the rounds of pubs in the City over the last few months has a number of pub drinkers trading a can of sardines to pass the time. They start at £1, the price quickly rising to £1.10 and £1.25, then spiraling up to £3, whereupon a hapless end buyer suddenly stops the game, opens the can and discovers that the sardines taste positively dreadful.

"Well, what did you expect," says one of his fellow traders, "They were for trading, not eating." There are probably dozens of bankers and even more fund managers who feel they, too, have been left with the sardines over the last six months of market upheaval. The bottom end of the decline in interest rates was severely tested this spring and summer, marking what many believe is the end of the great bull run of the last five years.

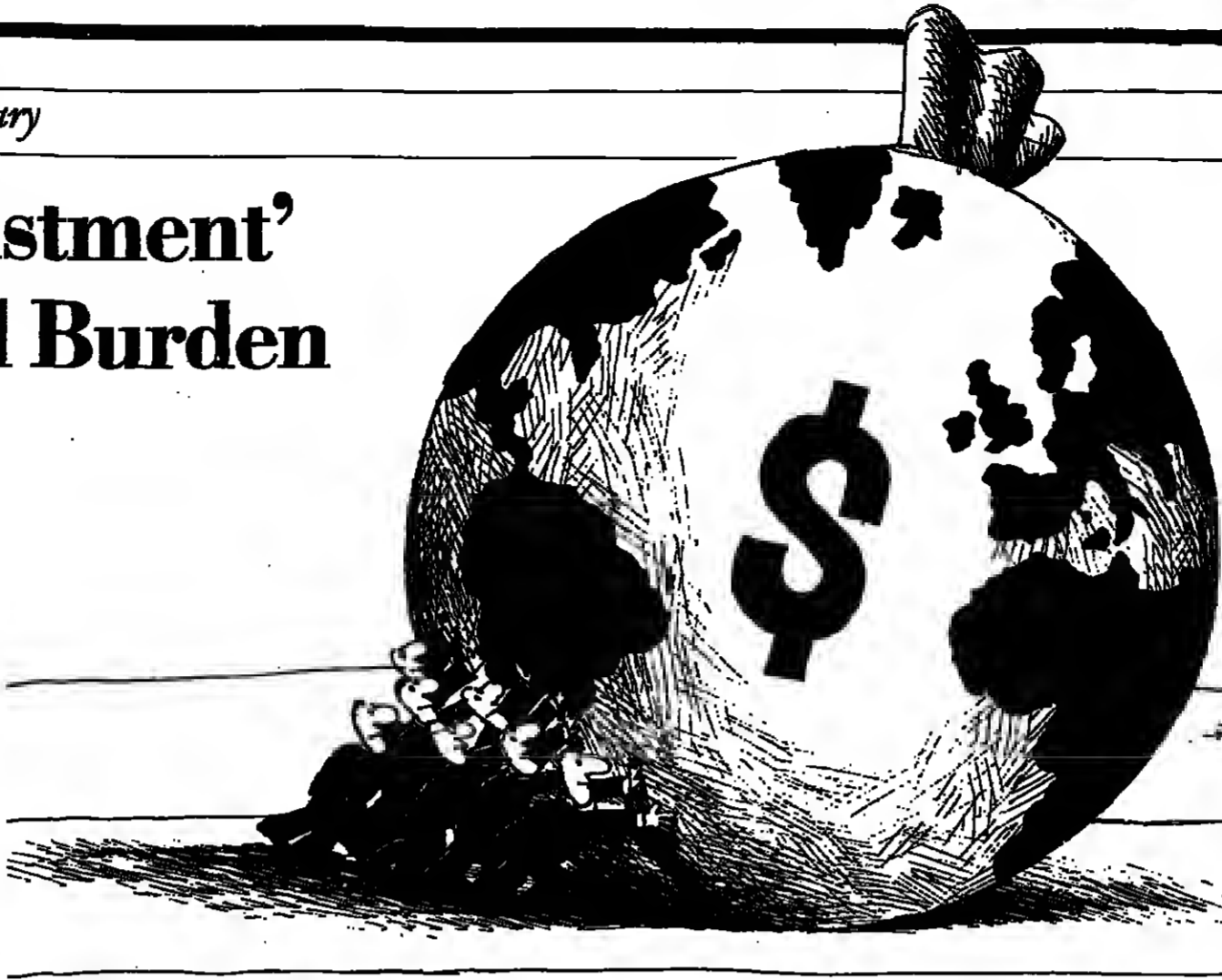
A collapse in the perpetual sector of the floating rate note market early in the year, for instance, was soon followed by a downturn in dated FRN paper. A dramatic reversal in the fixed-income markets in April was repeated in August. Trading losses and portfolio write-offs reached into the billions, especially among the Japanese life insurance companies. For issuers, strong investor resistance brought new issue volume to a trickle and yields higher through the summer.

New issue volume in the external bond market has exploded threefold since 1983, reaching \$167 billion or more in 1985, according to the Organization for Economic Cooperation and Development.

In 1986, the new issue volume surged again, exceeding \$726 billion. But this year, overall new Euro-issue volume dipped for the first time this decade. And the dollar Eurobond market, long the bedrock of the sector, fell to its lowest share of the new issue volume in the market's 25-year history.

In hindsight, it is apparent that a good chunk of the great volume of new paper flowing into the market since 1984 never really reached buy-and-hold end-investors, but was simply accumulated by the commercial banks looking for assets to replace their disintermediated loans

Continued on page 11



etc Pretender
The unrelenting pressure of the...
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The Debt Dilemma

Pressures Building For Debtors, Banks

By John M. Berry

WASHINGTON — The proposal by the Brazilian finance minister, Luiz Carlos Bresser Pereira, to discount his country's huge foreign debt by about 50 percent was quickly rejected earlier this month, but it underscored once again the enormous problem that such debts remain for creditor and debtor alike. Brazil has made no interest payments on its bank debt, or that owed to several governments, for seven months, a fact that caused many large American banks to make major additions to their loan-loss reserves in the second quarter. Brazil said it simply did not have the money to make the payments and, at the same time, keep its economy growing.

The proposal to discount the debt was rejected by the Washington Post reporter covering domestic and international finance.

existing debt grew out of a growing feeling in Brazil that it has made all the internal sacrifices it ought to be asked to make in the form of falling income and investment in order to keep up payments on its debt.

Several weeks before the finance minister's visit here — during which Treasury Secretary James A. Baker 3d bluntly rejected his proposal — a group of Brazilian congressmen were in Washington floating the same idea.

The congressmen argued that the banks ought to recognize the market reality in which Brazil's debt was being traded in a thin secondary market at about 56 percent of face value. If the debt were written down accordingly, Brazil would have enough foreign exchange earnings to make the required payments.

After all, they said, the banks had made lucrative profits on their Brazilian lending in the past, and they questioned whether there

Continued on page 9

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INSIDE THIS REPORT

Behind the Losses in U.S. 8
Large losses on foreign and domestic loans announce a period of prolonged turmoil in the American banking industry.

Latin America's Dilemma 9
As leaders of Latin America's eight largest debtor nations prepare to meet again, unified action appears unlikely.

Development in Africa 10
Plans for an African summit on debt repayment signal progress at the African Development Bank.

Asia's Steady Advance 12



The Asian export boom now entering its third year has transformed economies in the Pacific region. But for banks active in East Asia, it has been a decidedly mixed blessing. Asia's economic strength is forcing banks to find new strategies to deal with the decline in the region's syndicated-loan market and the shift toward "securitized" debt.



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TOTAL ASSETS:
US \$ 168 billion
SHAREHOLDERS' EQUITY:
US \$ 1.6 billion

U.S. Institutions Face Uncertainty

Most major corporations no longer turn to banks for loans

By John M. Berry

WASHINGTON — American banking is to turmoil and it is likely to stay that way for years to come. Regulatory changes, new competition from other U.S. and foreign lenders and a long-term erosion of profits on banks' traditional commercial lending business has left the industry facing an uncertain future.

In the short run, all these problems have taken a back seat to the enormous losses many banks have suffered this year on domestic energy and real estate loans and the more highly publicized loans to developing countries.

In the first half of this year, banks made such large additions to their loan loss reserves — a step that reduces earnings — that the roughly 50 banks with revenues of about \$1 billion or more annually collectively lost nearly \$10 billion. The Federal Deposit Insurance Corp. (FDIC) said it was the first quarterly loss since the Depression. In the first half of 1986, virtually none of these large banks showed a loss; this year about three-fifths of them did.

But the problems do not involve just big banks with large losses on foreign loans. About 200 banks are expected either to fail or require direct assistance this year from the FDIC, which insures deposits at commercial and mutual savings banks.

Earlier this month, the FDIC put up almost \$1 billion to bail out First City Bank Corp. of Texas, which operates 62 banks across that state. First City had about \$12 billion worth of assets, about 15 percent of which had turned sour, particularly some to energy and real estate.

Most of the failing banks are small and located in smaller cities and towns. The 10th Federal Reserve District, which covers a vast portion of the nation's heartland from Oklahoma north to Nebraska and west from Missouri to Wyoming and Colorado, has been particularly hard hit.

Dozens of banks have failed in the last two years in this group of states, most of which historically allowed little if any branching. As recently as 1980, Wyoming banks had the highest average return on assets of any state; last year they had sunk to 48th as the state's basic mining and agricultural industries remained depressed.

Officials at the Kansas City Federal Reserve Bank, which covers the district, expect only a small improvement in bank profitability this year, and if enough loans have to be charged off, profits could fall again, according to Forest Myers, manager of the bank's policy and special projects department.

In some cases, such as in Connecticut recently, a major merger was negotiated before the barrier came down and was announced immediately after it did.

Bank branching and a state's openness to institutions based elsewhere have been issues left to the states to decide, and Congress has continued to follow that line. But if many other pending regulatory issues are not addressed soon at the federal level, analysts expect that state authorities will begin to decide those as well.

Meanwhile, the problems associated with failing banks, and failing thrift institutions as well, continues to push state legislatures to drop barriers to interstate banking. A number of regulatory experts believe that within five years or less essentially all such barriers likely will be gone.

The first federal banking legislation to pass in five years this summer put a moratorium on any extension of new powers to banks until next spring. Congress is supposed to use the intervening time to resolve such questions as whether banks should be allowed to underwrite most bond and equity issues and the extent to which commercial corporations should be allowed to own and control banks that take federally insured deposits.

This year's legislation closed the so-called non-bank bank loophole. Because banks were defined in federal law as an institution that took deposits and made commercial loans, some commercial corporations — such as Sears Roebuck and Co., the retailing giant, and American Express-acquired banks — stopped making commercial loans, thus getting around the restrictions on ownership.

Advocates of opening up bank ownership, including former Citicorp chairman Walter B. Wriston, argue that careful oversight of banks by regulators would be sufficient to prevent any abuse of the institution even by a corporate parent that itself got into serious financial trouble.

Opponents such as E. Gerald Corrigan, president of the New York Federal Reserve Bank, think the danger is too great and that a corporate owner in difficulty could find ways around any regulatory restrictions and tap the bank's funds.

Relaxation of restrictions on ownership might make more capital available to banks that sorely need it to offset some of the losses they have experienced, according to Mr. Wriston and others. And it might also make them more competitive in a variety of ways, they say.

The Hike in Loan Loss Reserves (in billions of U.S. dollars)

Bank Holding Company	Assets	Loss	Addition to Loan Loss Reserves
Citicorp	194.4	2.6	0.8
Chase Manhattan	98.9	1.4	1.6
Bank of America	97.0	1.1	1.1
Chemical New York	78.4	1.1	1.1
J.P. Morgan	74.7	0.8	0.9
Manufacturers Hanover	73.8	1.2	1.7
Security Pacific	64.7	0.2	0.5
Bankers Trust	54.7	0.6	0.7
First Interstate Bancgroup	51.5	0.5	0.6
Wells Fargo	44.7	0.3	0.6

Source: Company Reports

The problem is that many of the new activities they might undertake if regulators permitted are themselves not without risk. Getting into new lines of business takes startup capital, which the institutions might well use in other ways. Moreover, this is all taking place against a background of long-term erosion of the core business of banks: commercial lending.

Most major corporations no longer turn to U.S. banks for loans. Instead, they borrow directly in the capital markets using commercial paper, a form of corporate promissory note, and use a line of credit at a bank or group of banks to back up payment of the commercial paper.

MORE and more banks are providing such services for fees rather than making a profit on the spread between their cost of acquiring funds and the interest rate paid on loans. In addition, to the consternation of some regulators, a growing source of profits has been gains on trading activities in foreign exchange, government securities and similar markets.

While what was once their core business is shrinking, banks are also being hurt by new competition from a host of foreign banks and securities firms. These organizations have been willing to cut charges to the bone to gain a share of the American market, and the domestic banks trying to compete have had to respond accordingly.

The U.S. banks that are doing the best as a group these days are the "super-regionals," large, aggressive bank holding company operations in various parts of the country that have not been plagued by the foreign loan losses of the bigger money center banks.

If recent trends continue, say Senate Banking Committee staff members, this group could end up with half of all deposits to the United States within a few years. Their share has been growing at the expense of both smaller banks and bank holding companies and the money center giants.

However, the second quarter of this year was a hard one even for many of those banks, too. Nevertheless, among the 50 largest banks, they accounted for virtually all of those that showed a profit to the quarter.

According to Commerce Department figures, commercial and mutual banks — a grouping that includes thrift institutions — earned \$7.47 billion in 1986. That was up from \$6.76 billion in 1985 and far more than double the \$3.08 billion earned in the recession year of 1982. On the other hand, the 1986 number was still well under the \$8.58 billion that the industry made in 1979, before deregulation hit both the asset and liability sides of financial balance sheets.

And many analysts are worried that there are still a vast number of bad loans in bank portfolios that will eventually have to be written off. For all the additions to loan loss reserves in the second quarter, estimates are that the money center banks have set aside only enough money to cover about one-fourth of the value of their foreign loans, loans that are trading in many cases at 50 percent or less of their face value.

With U.S. interest rates again rising, there could also come a test of the creditworthiness of the corporations that have issued billions of dollars worth of debt in connection with mergers, leveraged buyouts and other forms of corporate takeovers.

This debt is in many financial institution portfolios and defaults could raise a new set of serious problems for the institutions. Rising rates will also make repayment more difficult for many real estate entrepreneurs, to say nothing of governments of developing countries already struggling to pay their foreign debts.

None of these problems is apt to be resolved soon, so the turmoil and uncertainty to banking will likely continue indefinitely.

New Plan Aims to Lessen Political Risk in Lending

By Vivian Lewis

WASHINGTON — Developing countries are again rolling out the welcome mat for direct investments after a decade and a half of shunning them. Suddenly, it is no longer done to berate multinational corporations for their supposedly nefarious influence in the Third World. The reason is the diminished attraction of no-strings-attached alternatives to letting foreign companies buy into a country's business.

These days, borrowing from banks, and trying to pay back with cold cash at a rate fixed without regard to domestic economic conditions or the results of a particular investment, has lost its appeal. Countries cannot repay. And banks cannot lend any more without refinancing the underperforming loans they already have to carry on their books or raising their capital to cover these Third World loans.

As a result, conversion of bank debt into equity is an idea whose time has come, if only a way could be found to do the trick.

One plan that will probably begin to operate sometime early next year is being put into place under the auspices of the World Bank. Called the Multilateral Investment Guaranty Agency (MIGA), it will go into effect as soon as five or more developed countries ratify its convention (it already has the requisite number of developing-country ratifiers.) So far, only Denmark and Japan have come on board, but there is a strong possibility that West Germany, the Netherlands and France will complete ratification this year. And the United States, too, may ratify soon.

MIGA is an international and broader variant of systems that exist in all Western industrial countries for providing political risk insurance to increase the attractiveness of investing in developing countries. But it goes further than national plans like the Overseas Private Investment Corporation (OPIC) of the United States or the 22 others run by developed countries, along with India and South Korea.

National systems often fail to match investor needs and only in Japan and Austria are more than half of direct foreign investments insured with the national plan.

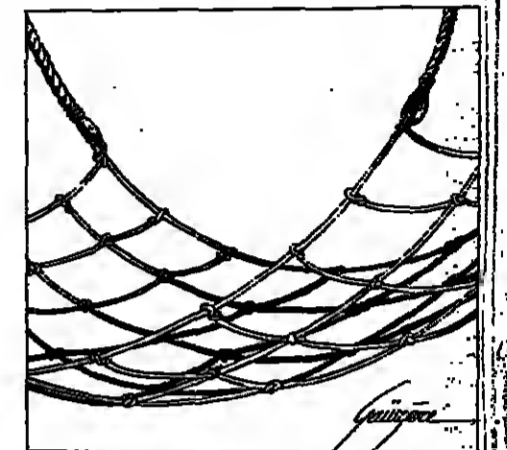
Furthermore, national insurance systems are undercapitalized in most cases. And unlike MIGA, they are intended as much as a way to help investor companies as the developing country that is the host.

MIGA, in contrast, will only insure projects for which it can find a clear developmental interest for the host country. But that is not to say that its insurance is not a very good thing indeed from the point of view of the investing company. A sign of this is the great interest being shown by international oil companies in the MIGA plan, according to World Bank officials.

MIGA will improve conditions for foreign investors. First of all, investment is defined so as to include categories not normally covered by national systems — not just taking a shareholding, but also equity-cum-loan plans, as long as the foreign investor has management control and earns a return related to results. This means that production and profit-sharing contracts, franchises, licenses, leasing some turnkey contracts and even some debt investment is covered.

Secondly, MIGA is flexible as to what "new" investments it will cover, and probably, according to Jürgen Voss of the World Bank, will be able to cover debt newly converted into equity. Banks will be able to insure return on loans refinanced by taking interests in facilities in debtor countries.

Most importantly, MIGA will broaden coverage of the risks foreign investors run. It will cover not just the risks of war, but also armed conflict and civil unrest, riot and, in some cases, unrest by students or unions or terrorism directed against the foreign investor. It will not just insure against expropriation, but also against "creeping expropriation," which MIGA has defined as a series of host-country measures that in their combined effect is expropriatory, like a combination of new taxes, customs duties, minimum wage increases and training requirements that would make a project unprofitable.



It will cover not just the risks of currency convertibility, but also the transfer risks resulting from government restrictions on converting currency.

MIGA has special clauses defining as foreign investment the return home of flight funds in fact owned by nationals of developing countries. To help persuade them to bring their money home, they will benefit from insurance as if they were foreigners.

Most importantly, MIGA is pioneering insurance against breach of contract, on condition that there is no arbitration panel independent of the host country to which the unfortunate investor can appeal or whose ruling he can get enforced within 90 days.

MIGA can begin operating as soon as a sum roughly equivalent to \$360 million has been subscribed by its members, with its initial insurance guarantee amount limited to one-and-a-half times subscription. If all World Bank countries that have signed but not ratified the convention do so, it will have about \$1.5 billion to cover. No country risk may take more than 5 percent of the whole.

MIGA will not, therefore, be able to solve the world debt crisis by itself. But its regulations would allow it to increase its underwriting ceiling to a total of five times subscriptions by a majority vote, giving it a respectable war chest of \$5 billion or so.

VIVIAN LEWIS is a Washington-based financial journalist.

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Adjustment: A Shared Burden

Continued from page 7

The surplus economies in Europe and Asia must be stimulated to achieve greater growth while containing inflation.

severe. In current dollars, the 1986 level was only about \$26 billion, compared to \$66 billion in 1980. Many of the highly indebted, middle-income countries have become net exporters of capital to the industrial countries. And this is taking place just when they urgently need to expand domestic investment to secure growth. For the low-income countries, the picture is also a bleak one. Official development assistance from all sources fell in 1986. Concessional flows last year were barely above 1980 levels in real terms.

The World Bank and other multilateral institutions cannot by themselves compensate for these shortfalls, even after increasing net disbursements to the heavily indebted middle-income countries by 50 percent as the bank did in the last 12 months. The World Bank is ready to assume greater responsibilities and risks and we will soon be seeking a general capital increase to permit further growth in the bank's lending program.

We are pleased that the donor nations agreed to provide the bank's affiliate, the International Development Association, with \$12.4 billion over the next three years to secure concessional flows

to the very poorest developing nations. This is only a partial success, because still more concessional finance is needed for the nations. We are, however, attempting to reach a consensus among creditor nations on a program of debt relief and growth oriented import financing for the most distressed low-income countries.

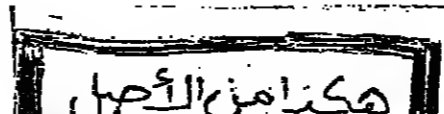
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Climate of Caution

After the Boom, The Hangover

Continued from page 7

and by the Japanese institutional investors. Both began to take increasingly short-term, trade-oriented views toward managing their portfolios, adding to the general volatility of the market.

None of the financial intermediaries, especially the commercial banks, were really prepared for the virtual explosion that has taken place in the international capital markets since 1984. Millions of dollars were spent by the commercial banks to build from scratch some capabilities in securities underwriting and trading while the securities houses, investment and merchant banks scrambled to handle the surging volumes and to spread their operations across the globe.

Many of the banks were apparently equally unprepared for the swift downturn that followed. Dozens of banks have had to rethink their global pretensions. Some dropped out of the race altogether, preferring a purely domestic role; others got out of primary market activity and settled for a more active sales and trading role; still others called it quits in trading.

But the element common to the dozens of banks that just a year ago were aspiring to the global big leagues is the growing realization that what may have been possible in a bull market is no longer realistic when conditions get turbulent and uncertain. Caution, rather than expansion, is the catchword of the late 1980s.

In the FRN market, for instance, where many commercial banks sought to make their mark in securities trading, there were 40 houses active during the market's peak around the turn of the year.

Now, however, there are effectively only five houses — all U.S. investment banks — left trading in all sectors of the FRN market. "American commercial banks are a very trivial factor in the market now," said William Watt, head of FRN trading for Kidder Peabody.

STREET INVENTORIES, which at one time stood at \$1 billion plus at the big trading houses, quickly shrank once the market got too choppy. Inventories are perhaps a quarter of what they were a year ago.

"There is no longer the willingness to position inventories," said Paul Denison, Merrill Lynch's head of FRN trading in London.

"Even if we get bullish again, it would only be a third of its peak." Perhaps with even greater potential repercussions to the long-term viability of the Eurobond market, the big-ticket fund managers found the market's liquidity amid the turbulence to be wanting and increasingly found the more liquid, though lower yielding, domestic government bond markets more appealing to their needs.

Billions of dollars under their management leaked out of the Eurobond market to the domestic markets, or at least less net new funds flowed into Eurobonds. Financial houses also found innovative but complicated packaged paper increasingly difficult to distribute as investors, especially retail investors, shied away.

"What the issuer called a window, a lot of investors discovered was a trap door," suggested Rudolph Eisenstadt-Rothe, who heads asset distribution at Chase Manhattan Bank in London.

The rippling effect of the market changes has uprooted the traditional lineup among the new issue lead managers. Nomura International easily brushed aside market leader Credit Suisse First Boston from its number one ranking.

The Japanese securities houses swept four of the top six rankings, kicking a number of American heavyweights such as Merrill Lynch and Swiss stalwarts such as Union Bank of Switzerland and Swiss Bank Corp. into the backwaters of the league tables.

The aspirations of the commercial banks to muscle their way into the upper tiers of underwriting, except for Deutsche, Paribas, Bankers Trust and Morgan Guaranty, look increasingly remote.

The upheavals in the capital markets have also altered the techniques used to launch new debt. The syndicates of banks participating in a new issue have become much smaller, polarizing into two tiers of the biggest, most powerful houses, currently dominated by the Japanese securities houses, and the much smaller, regional banks that profess to have a retail distribution.

The banks occupying the middle tier of players, where most of the commercial banks lie, are rapidly being squeezed out of the market. Reciprocity, in which the lead manager will cut another house in on a deal, now tends to focus around a smaller circle of powerful co-leads chosen for their ability to distribute a particular kind of paper.

The scores of banks in the middle tier that had participated as co-managers in any case were no longer so willing to accept invitations to deals. Issues thus have fewer market makers, potentially meaning less liquidity and a narrower distribution. For the lead manager, it means an issue is even

riskier than ever when taken on his books.

"There is much more of a genuine syndicate risk now," said David Lough, managing director at County Nat West Investment Bank in London.

Adversary relations and distrust among the financial intermediaries in the primary sector underscore how the definition of success in syndication of a new issue continues to change and broaden.

Success used to mean an issue trading inside its fees during the syndication period. Now, it depends. Losses in syndication may mean profits somewhere else. Many of the American houses, for instance, tend to look at the whole product stream that only begins with launch — a gauntlet to run through — to reach the more profitable activity at the end of the relationship being developed.

"Maybe there will be an M&A deal at the end of the deal," said the head of a London office. A strong secondary market house may come in on a loss-making deal simply to become better informed on where the original bonds are flowing.

Bernhardt Gadow, deputy manager director of the Long-Term Credit Bank's investment banking arm in London, noted that the Japanese houses have long looked at the primary league tables as an expensive marketing tool to develop relations with Western corporate officers.

Dozens of banks have had to rethink their global pretensions.

"We just bought \$20 million of your FRN, and we love to do business with you," Mr. Gadow said. "A lot of the Japanese houses are going for tombstone position not just to build league table position, but to have an excuse to see the borrower."

The net effect of these differing objections, coupled with the sheer domination of the Japanese securities houses, has translated into an almost total absence of profitability in underwriting and even lead managing straight debt issues. To compensate for this loss, the banks have had to rely increasingly on trading and turnover to cover their overhead. And this year that, too, became immensely difficult.

The only way to ensure a decent return this year has been in picking up a slice of equity deal flow that is surging through the markets. Transborder, Euroequity offerings, convertible issues for American corporates, or bonds with equity warrants attached issued by Japanese issuers have been extremely profitable for houses such as CSFB, Morgan Stanley and the Japanese securities houses that hold the lion's share of the market.

"We are trying to be more in equity instruments," said Takao Soma, the managing director of DKB International, formerly Dai-ichi Kangyo Bank International, reflecting a feeling shared by almost every house not already reaping the benefits of being there first.

FOR BORROWERS, the changes wrought in the international markets and among the financial intermediaries means it can cost so much more now to raise large amounts of debt that the other capital and credit markets, such as syndicated loans, are becoming more attractive.

Borrowers can also straddle both the credit and capital markets by launching a fixed-income issue priced to yield enough above similar maturing U.S. Treasury paper that it is largely "asset swapped" back into the portfolios of commercial banks.

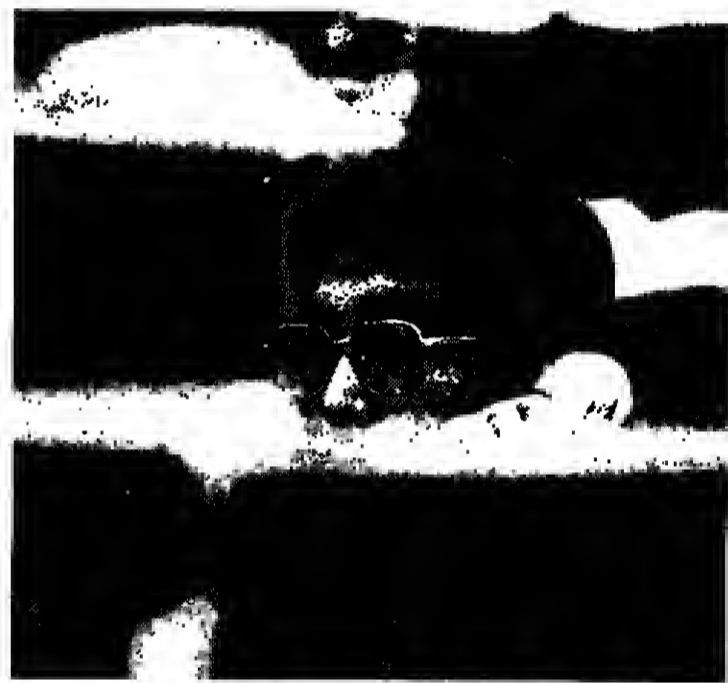
Asset swaps, which are simply swap techniques applied to the asset side of an investor's balance sheet rather than the liabilities of the borrower, has mushroomed to nearly \$30 billion this year, according to market estimates.

Reverse swaps in a way are "reverse securitization" in that the paper is illiquid and not marked to market every quarter. At least 80 percent of the asset swap paper is finding its way into the portfolios of the commercial banks wholly willing to sacrifice liquidity for a locked-in yield usually a healthy margin over their own cost of funds.

Whether the turbulence in the capital markets this year portends a return to the previous era of "classical" commercial banking dominance of the financial markets is perhaps too far-fetched at this point to suggest.

KEVIN MUKHRING is a London-based contributing editor to Institutional Investor magazine.

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Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel: 01-623-1277. Prices may vary according to market conditions and other factors.

Main table containing various bond price categories: Dollar Straights, Euro Straights, Yen Straights, Dollar Zero Coupons, DM Straights, American Exchange Options, DM Zero Coupons, ECU Straights, and Treasury Bonds. Each section includes columns for Issuer, Con, Mat, Price, and Yld.

Euromarts At a Glance. Table showing Euro market rates for various currencies and instruments.

Treasury Bonds. Table listing US Treasury bond yields and prices.

Wall Street Review. Summary of market activity and key news items.

NYSE Most Actives and AMEX Most Actives. Lists of top trading securities on the NYSE and AMEX.

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American Exchange Options advertisement. Large table of options prices and trading information.

INTERNATIONAL POSITIONS advertisement. Recruitment notice for various roles in international finance.

The Daily Source for International Investors advertisement. Promoting a daily publication for global market news.

New International Bond Issues

Table of bond issues with columns for Issuer, Amount (millions), Mat., Coup. %, Price and week, and Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

EUROBONDS: Banks Take Long View, Help Clients Through Bad Times

(Continued from first finance page) ... dollar and Canadian interest rates decline. But the four new Canadian dollar bonds were too much for the market to bear.

Malaysia Sees Palm-Oil Sector Threatened by U.S., EC Moves

By Michael Richardson International Herald Tribune TROLAK, Malaysia — All around Ramli bin Yusoff's modest wooden house, as far as the eye can see, oil palm trees planted in neat rows cover the moist tropical earth with a quilt of dark green foliage.

Montedison Heavily Oversubscribed

By Carl Gewirtz International Herald Tribune PARIS — Montedison SpA's request for a \$800 million loan to help finance the acquisition of Hi-Mol Inc. of the United States was more than four times oversubscribed last week.



An oil-palm plantation worker holding ripened fruits.

Lim Keng Yaik to oppose the EC and U.S. measures. The ASEAN countries account for the overwhelming proportion of the world's palm oil. Indonesia, which accounted for 17 percent of global production in 1986, is the second-largest producer after Malaysia.

PEARSON: Murdoch Seen as Latest Corporate Raider

(Continued from first finance page) Pearson's top management this week. It would be hard to imagine a more vivid clash of executive styles and backgrounds than that between the restless Mr. Murdoch, an Australian-born entrepreneur, and Pearson's chairman, Lord Blakenham.

Bonds Show Strength, but Caution Reigns

New York Times Service NEW YORK — The mood in the credit markets has turned to one of caution as investors remain on the sidelines awaiting the results of the meeting this weekend of the Group of Seven finance ministers.

Table titled 'U.S. Consumer Rates' showing rates for Treasury bills, 3-month bills, and other financial instruments.

Kuala Lumpur Delays New Brokerage Fees

KUALA LUMPUR, Malaysia — The Kuala Lumpur Stock Exchange has said it will postpone the adoption of new brokerage commissions because members could not agree on the phasing of a re-organization.

Fed Panel Backed Fighter Money

WASHINGTON — The Federal Reserve System committee that controls growth in the nation's money supply voted in August for a slightly tighter policy than it approved in July, the Fed has revealed.

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NASDAQ National Market

OTC Consolidated trading for week ended Friday, Sept. 25

Table with columns: Sales in 100s, High, Low, Close, Chg. Lists various stocks including ABB, ABBN, ABBP, etc.

Mutual Funds

Figures as of close of trading Friday, Sept. 25

Table of mutual fund performance with columns: Fund Name, Assets, Change, etc.

Table of stock prices with columns: Bid, Ask, Bid, Ask. Lists various stocks and their current market prices.

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EMS: Other Members Expected to Challenge West German Dominance of Policy Through Control of Exchange-Rate Mechanism

(Continued from Page 1)

style anti-inflationary policies of which the Bundesbank approves. For the past few years, with inflation widely regarded as the major threat, they have been content to do so. Increasingly, however, France and some of the other members are becoming more concerned with fighting slow growth and unemployment and less with the continuing overvaluing of West German policy of combating inflation.

If these countries follow their own priorities and assert their independence, the risk is that they will lose the credibility that their policies have gained from their close association with West Germany. That would put downward pressure on their exchange rates.

At the same time, low West German growth and inflation rates,

and the downward drift of the dollar, are enhancing the mark's hard-currency status.

What France is effectively saying to West Germany, in the words of a senior EC official, is this: "We have got to move on from the previous position, in which you made policy and we adapted to it. We deserve credit for having been good boys for the last three years. This means some relaxation on your part, but monetary stability is still obtainable at a higher level of growth."

In practical terms, France has been asking for early, unconditional help from the Bundesbank to support weaker currencies when they come under speculative attack (implying less West German insistence on policy changes in the weaker-currency country), plus greater coordination of national

economic policies (implying a stronger voice for the non-German members).

This month's changes have gone several steps down that road. West Germany has indeed agreed to make marks available to other countries for currency support at an earlier stage and in greater quantities, and to intensify economic policy coordination in the EC's monetary and central bank governments' committees.

But the Bundesbank is making it clear that there will be limits to its largesse, and that the currency support will not be automatic, as France wanted.

Jacques de Larosiere, the governor of the Bank of France, has been saying that he nevertheless sees in the currency agreement "a presumption of automaticity," a

phrase that has legal overtones in French.

As with most compromises, the negotiating partners are each reaching their desired outcome into the final wording. West Germany says that the agreement will mean little

The crucial factor will be how far both Bonn and the Bundesbank are prepared to take their hands off the wheel.

change in practice. France says it will mean a great deal.

That is why the full implications for EC economic policymaking will not be apparent until the agreement is put to the test, both in the exchange markets and in the more concrete intergovernmental eco-

nomic coordination that is due to start.

The crucial factor will still be how far both Bonn and the Bundesbank are prepared to take their hands off the wheel.

West Germany's historic inflation phobia has not disappeared overnight. The West German authorities are still afraid that a relaxation of discipline in the system will lead to inflation elsewhere that will be only too easily exportable to West Germany.

For France, however, the agree-

ment represents at least the thin end of the wedge. After a pause for breath, it is not unlikely that Paris will come back for more.

For that reason, the official suggestion, that the West Germans are reluctant to make too many concessions at any one time.

It is not a constant daily battle by France against West German dominance, the same official said. But the French want British allies in their overall campaign. In the French view, there is now absolutely no reason why Britain should not bring the pound into the system.

Advocates of British EMS membership claim that both the technical and political conditions are right for the long-awaited move, which the British government has promised "when the time is ripe". The widely shared view in Brus-

sels and London is that only the personal reluctance of Prime Minister Margaret Thatcher is now in the way of sterling's entry.

Nigel Lawson, the British Chancellor of the Exchequer, is believed to be a convert, as is Robin Leigh-Pemberton, the governor of the Bank of England.

Among the reasons for Mrs. Thatcher's continuing opposition are fears similar to those already visible among some of the system's existing members, such as concern about the loss of national sovereignty.

In that respect, her desire to maintain her own government's control over the British economy at least partly justifies the classic French complaint that Britain's fundamental commitment to Europe will continue to be in doubt

until the country finally makes the pound part of the EMS.

Most member governments appear confident that the latest changes to the system are steps in the right direction. Many economists believe that they could make formal exchange rate changes, or "realignments" within the system, less frequent.

Officials at the European Commission, the EC's executive body, say they have detected a more relaxed attitude by Karl-Otto Pöhl, the Bundesbank governor, towards his partners' concerns. The commission believes that governments and central banks now trust each other enough to make the new arrangements work smoothly.

As Mr. de Larosiere puts it, "It is a matter of good faith." But there is as yet no final answer to the key question: Does West Germany really yet trust its partners to run their own economies?

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Symbol	100s	High	Low	Close	Chg	Net
IBM	100	100.00	99.00	99.00	-1.00	-
MSFT	100	100.00	99.00	99.00	-1.00	-
GOOG	100	100.00	99.00	99.00	-1.00	-
AMZN	100	100.00	99.00	99.00	-1.00	-
APPL	100	100.00	99.00	99.00	-1.00	-
ORCL	100	100.00	99.00	99.00	-1.00	-
INTC	100	100.00	99.00	99.00	-1.00	-
QCOM	100	100.00	99.00	99.00	-1.00	-
TXN	100	100.00	99.00	99.00	-1.00	-
WDC	100	100.00	99.00	99.00	-1.00	-
SPX	100	100.00	99.00	99.00	-1.00	-
...

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GOOG	100	100.00	99.00	99.00	-1.00	-
AMZN	100	100.00	99.00	99.00	-1.00	-
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TXN	100	100.00	99.00	99.00	-1.00	-
WDC	100	100.00	99.00	99.00	-1.00	-
SPX	100	100.00	99.00	99.00	-1.00	-
...

SPORTS

Talks Stalled; Union Considers Own Games

NEW YORK — Stalled negotiations threatened a second week of National Football League play Saturday as the union revealed that it might stage games during the strike...

SPORTS BRIEFS

Mansell Easy Winner of Spanish Grand Prix

JEREZ DE LA FRONTERA, Spain (UPI) — Briton Nigel Mansell won the Spanish Grand Prix here Sunday in 1 hour, 49 minutes and 12.692 seconds, keeping alive his world driver championship hopes...

Galici Keeps WBC Junior Welterweight Title

CAGLIARI, Sardinia (AP) — Eflacio Galici of Italy successfully defended his world WBC junior welterweight title with a 12-round decision over American Jerry Rocky Stoner here Friday night...

Theatrical Takes Belmont Park Turf Classic

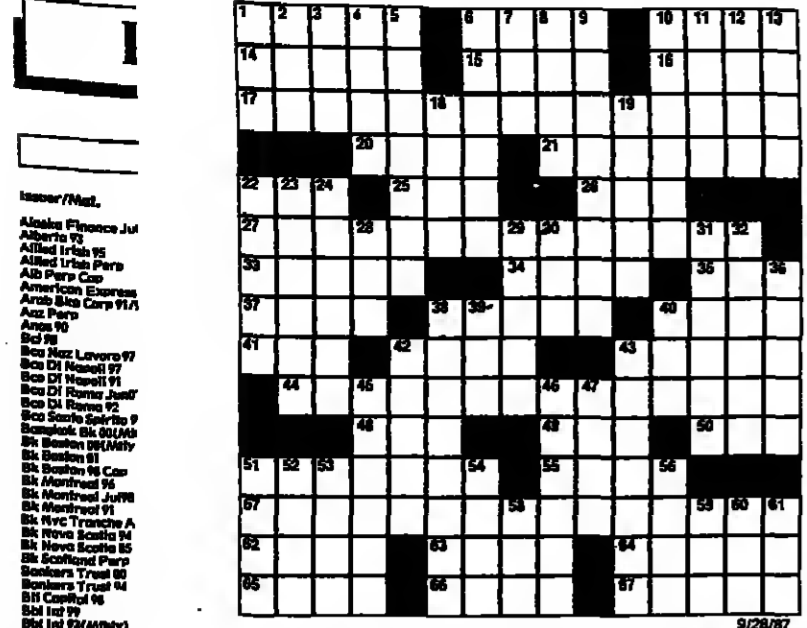
ELMONT, New York (UPI) — Theatrical, the even-money favorite, took command turning for home and drew away to win the \$600,000 Turf Classic by 3 1/4 lengths over River Memories Saturday at Belmont Park...

Quotable

Kyle Rappold, University of Colorado middle guard: "Football's great. You get to kick, bite, spit, fight, win, and afterward you hug a blonde." (LAT)
Willie Pep, the former featherweight boxing champion who is 65, has been married five times and is talking about getting married again...

Solution to Thursday's Puzzle

J I N N I D O B B Y P I A N
A R T I E O L L A E R K E
P O L T E R G E I S T R I A
N E O Y E A S T G I M P
P P D S E G D
E L F H E S S D Y B U R
M A L F O R M E D P L E I N
T R I D N E A R S I G N E
T E R R A E L I M I N A T E
E S T A T E S P E E T A D
G E M S O S C
W I N E M O T T O R A E
A M E L E P R E C H A U N S
S P A E T H E R A T R I A
R I S T E S S E N M E A D E



ACROSS
1 Accumulate
6 Cold or ready follower
10 Like many a Texas ranch
14 Overalls material
15 On the China
16 French magazine
17 Lapsus lingue
19 Sing a customer
21 Scary cinema sounds
22 "Raiders of the Lost..."
25 Cycle
26 Hurry along
27 Speak thoughtfully
33 Westminster follower
34 Dizzy or Daffy
35 High mountain
37 Type of act
38 Jupiter or Zeus
40 Code predecessor
41 Mr. and Ames
42 Play it close to the game
43 Sacrificial site
44 Rap
48 Cry of disgust
49 Hoover, for one
50 Color changer

© New York Times, edited by Eugene Malachuk.

DENNIS THE MENACE



'I'M SURE GLAD YOU'RE NOT A WORKIN' MOTHER!'

JUMBLE

Word game section with words like TENKO, PAMCH, TONBEN, YOANNE and a grid for scrambling letters.

WEATHER

Weather forecast table with columns for Europe, Asia, Africa, Latin America, North America, Middle East, and Oceania.

PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



NFL Fans Faced With a Blue Sunday

By William E. Schmidt
NEW YORK TIMES SERVICE
CHICAGO — All week Donald Linder, a Chicago real estate agent, was dreading Sunday, a day without real football, without his Chicago Bears...

WORLD STOCKS IN REVIEW

Amsterdam
Share prices remained under pressure last week in low volume on the Amsterdam Stock Exchange...

Frankfurt
The Frankfurt stock market had a dull week, with uncertainty prevailing in a narrow market...

Hong Kong
The Hong Kong stock market hit five successive all-time highs last week after the government doubled its estimate of economic growth this year...

London
The release last Thursday of British trade figures for August, showing the widest ever trade deficit, wiped out more than £6 billion from share values...

Milan
Milan stocks progressed strongly last week, recovering some of the ground that has been lost by weeks of political uncertainty and disappointing economic news...

Paris
Upward pressures on interest rates in France and elsewhere hit the Paris Bourse last week, as the CAC index dropped to 419.0 on Friday from 429.2 the previous Friday...

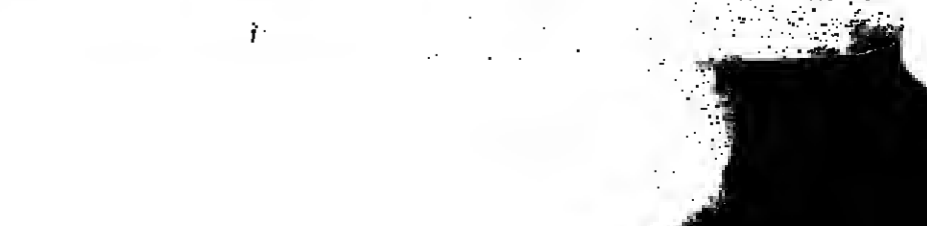
Zurich
The Zurich stock market experienced a lull last week, but managed a moderate gain. The Credit Suisse index finished at 613.7 on Friday against 607.4 the previous Friday...

Tokyo
Share prices raced ahead on the Tokyo Stock Exchange last week, thanks to a gain of more than 400 points during half-day trading Saturday...

Singapore
The Singapore stock market fell for five consecutive days last week in nervous selling as a new delivery and settlement system continued to dampen activity...

Singapore (continued)
Prices brightened slightly Tuesday on bargain-hunting and short-covering but they were not sustained as the market began to feel the strain of several new listings...

Singapore (continued)
The Straits Times industrial index closed 11.67 points lower Friday at 1381.67, after plunging 37.12 points on Monday...



Vertical text on the right edge of the page, including 'Washa E...' and 'League Standing'.

SPORTS

Europe Beats U.S., Keeps Ryder Cup

Compiled by Our Staff From Dispatches
DUBLIN, Ohio — Seve Ballesteros won the match that blunted a belated rally by the U.S. team Sunday and provided Europe with its first victory on American soil in the Ryder Cup golf competition.



Seve Ballesteros, left, and Tony Jacklin, the European captain, couldn't have been happier.

Nebraska Escapes on Day Of Ties and Trouncings

Compiled by Our Staff From Dispatches
NEW YORK — Two of U.S. college football's four showdowns Saturday ended with Tennessee tying Auburn and Louisiana State tying Ohio State, and a third tie was looming until quarterback Steve Taylor gave Nebraska a victory over Arizona State with 34 minutes left.

The fourth game left Arkansas fans at a tie, because their team was trounced by Miami. Nebraska 35, Arizona State 28; In Tempe, Arizona, Taylor, who lost two fumbles that set up touchdowns for ASU (2-1), scored from three yards out after Nebraska (3-0) sped 72 yards in four plays, with 4-back Keith Jones' 62-yard run putting the ball at the eight-yard line.

Taylor's fumble at the Nebraska 15 had led to Darryl Harris' four-yard run and a 21-21 tie in the third quarter. Taylor's second fumble, again at the 15, was turned into a one-yard run by Harris that made it 28-28 with 4:55 left in the game. Auburn 28, Tennessee 20; In Knoxville, Tennessee, freshman Robbie Cobb scored on a seven-yard run with 1:20 to play and Phil Reich kicked the extra point as Tennessee (3-0-1) tied Auburn (2-0-1). Tennessee made it 20-13 on Reich's 24-yard field goal with 7:46 left, then stopped Auburn on its three on the kickoff, forced a punt and went 56 yards for the touchdown.



UCLA's Ken Norton, standing Arizona ball-carrier Reggie McGill on his head after a short gain. The Bruins won, 34-24.

Tigers Beat Blue Jays in 13th to Salvage Last Game of Series

The Associated Press
TORONTO — Kirk Gibson's 13th-inning single drove in the winning run Sunday and the Detroit Tigers stayed close in the American League's East Division race by beating the Toronto Blue Jays, 3-2, to avert a sweep of their four-game series.

SUNDAY BASEBALL

Sutton got his 320th victory in the majors, in his first relief appearance since 1980. Orioles 9, Yankees 5; In Baltimore, Rene Gonzalez broke a 5-5 tie with a double as his team rallied for five runs in the seventh to beat New York and end an eight-game losing streak.

Fast Start, Fine Finish Help Cards

Compiled by Our Staff From Dispatches
CHICAGO — Dan Driscen set a two-run home run in the first inning Saturday and Ken Dayley struck out Leon Durham with runners on second and third to end the game as the St. Louis Cardinals defeated the Chicago Cubs, 5-3, to take a 3½-game lead over New York in the National League's East Division.

SCOREBOARD

Baseball

Friday's and Saturday's Major League Line Scores

Table with columns for team names and scores for Friday and Saturday games.

Football

Selected College Results

Table with columns for college names and scores for various football games.

Tennis

Men's Tournaments

Table with columns for tournament names and winners.

Fast Start, Fine Finish Help Cards

SATURDAY BASEBALL

Clutch division title was reduced to five. St. Louis had seven games left after this series, the last three to be played against the Mets in Busch Stadium.

Major League Standings

Table showing league standings for American League and National League.

Ryder Cup

CA DUBLIN, IRELAND
EUROPE 16 UNITED STATES 15
FRIDAY
Curtis Strang and Tony Jacklin, U.S., def. Seve Ballesteros and Jose Maria Olazabal, Europe, 4-3.

Golf

Tom Kite and Curtis Strang, U.S., 5-and-4; Andy Beer and Mark Calcavecchia, U.S., 1-up; Ian Woosnam and Nick Faldo, Europe, 1-up.

European Soccer

ENGLISH FIRST DIVISION
Aston 1, West Ham 0
Derby 1, Oxford 0
Wolverhampton 1, Tottenham 0

Auto Racing

SPANISH GRAND PRIX
1. Nigel Mansell, Britain, Williams FW18
2. Stefan Johansson, Sweden, Williams FW18
3. Nelson Piquet, Brazil, Williams FW18

Auto Racing

DRIVER STANDINGS
1. Nelson Piquet, Brazil, 70 points
2. Nigel Mansell, Britain, 62
3. Ayrton Senna, Brazil, 51

LANGUAGE

Words With a Certain Familiar Ring

By William Safire

WASHINGTON — "Say it ain't so, Joe," moaned the dismayed supporters of Senator Joseph R. Biden Jr., the former Democratic presidential hopeful...

Sifting the Facts of Life and Death

LONDON — Rebecca West, George Bernard Shaw said, wrote as brilliantly as he did but much more savagely...

At first I thought I would go mad but it got quite exciting. It's concentrated, like a stock cube instead of a soup.



Biographer Glendinning: scrupulous and affectionate.

MARY BLUME half because she was very aware of herself as a work of art as well as of her art as a work of art. She thought of her life as a bad book and as an artist that drove her mad...

anything else. I think I've taken it as far as I can, I'd have to explode it into something different and maybe that's not for me to do.

subject's private life exactly the same proportion to be or she feels it has to that person. "In some people their private life is not the most important thing...

retrieving, but her own pleasure is to go behind the facade of a successfully achieved person. "I do enjoy the rich canvas. I like to tell a story and do feel more like a storyteller than a scholar."

As an old hand at the speechwriting dodge, my first reaction was to wince at the formalistic upon which construction. Although it enabled the speaker to conclude with the strong word stand, the ostentatiously careful grammar conflicts with the common-sense point...

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Vertical strip of small advertisements and notices on the far right edge of the page.